Pacific Basin

To Partner To Deliver

Interim Report 2014

Stock Code: 2343

Award-winning service

Our customer-focused business model has driven innovative customer service, solid service reliability, enhanced customer satisfaction, an increase in customer numbers and highest industry recognition in the form of the "BIMCO Shipping Company of the Year" award in 2014.

Investment & growth

We have a clear plan for growth to ensure we are best prepared for the market recovery ahead. Since the end of 2012, we have grown our annual cargo volumes from 41 to 50 million tonnes and more than doubled the size of our owned fleet on the water. Our current commitments will grow our owned dry bulk fleet further to about 100 ships in three years.

Empowered people

Our staff operate globally with a local presence. A new office in Dubai has enhanced our network of now eleven customer-facing offices world-wide to ensure we create strong bonds, collaboration and trust with our customers and, in turn, drive insight and knowledge back into our business so that we can deliver the best possible service.

Our Vision

To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

Our Mission

To achieve our vision by continuously improving our standards of service and conduct

www.pacificbasin.com
Business Principles & Corporate Values

Our Strategy

To achieve sustainable growth through optimisation of our fleet and through a continuous drive for efficiency, responsibility and professionalism in the way we run our business

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Chief Executive's Review
Our strategic objectives for 2014

What we stand for

We are committed to our customers, our people and our brand, so what matters to us most is:

- finding the right solutions to challenges faced by our customers
- honouring our commitments and operating to the highest standards of diligence, care, safety and reliability
- the value of long-term relationships over short-term gain
- a nimble and dynamic organisation capable of quick decision making
- our hard-earned, preeminent reputation

Key to navigation symbols

linkage to related details within the Interim Report

linkage to related details on our website www.pacificbasin.com

A glossary covering many of the terms in this document is available on our website

Financial Summary

	30 June 2014 US$ Million	30 June 2013 US$ Million	31 December 2013 US$ Million
Results			
Revenue*	**910.0**	766.8	1,708.8
Gross profit*	**1.8**	25.7	55.1
EBITDA (excluding impairments)	**38.9**	59.4	130.4
KPI Underlying (loss)/profit	**(21.5)**	13.6	15.6
Finance costs, net*	**(15.6)**	(16.3)	(37.4)
Discontinued operations – loss for the period	**(5.5)**	(9.1)	(8.3)
Net (loss)/profit attributable to shareholders	**(90.7)**	0.3	1.5
Balance Sheet			
Total assets	**2,368.5**	2,347.3	2,537.4
Net borrowings	**654.5**	414.6	551.2
Shareholders' equity	**1,216.1**	1,296.2	1,304.3
Total cash and deposits	**320.2**	442.3	486.1
Capital commitments	**409.8**	235.8	479.1
Cash Flows			
Operating	**44.4**	34.5	98.1
Investing	**(133.3)**	(72.7)	(114.2)
Financing	**(103.0)**	(116.5)	36.8
Per Share Data	HK cents	HK cents	HK cents
Basic EPS	**(36.9)**	0.1	0.6
KPI Dividends	**–**	–	5
Operating cash flows	**18**	14	39
Net book value	**487**	519	522
Share price at period end	**482**	442	555
Market capitalisation at period end	**HK$9.3bn**	HK$8.5bn	HK$10.7bn
Ratios			
Net profit margin	**(10%)**	0%	0.1%
Eligible profit payout ratio	**–**	–	>100%
Return on average equity	**(14%)**	0%	0.1%
Total shareholders' return	**(12%)**	3%	29%
KPI Net borrowings to net book value of property, plant and equipment	**39%**	29%	34%
Net borrowings to shareholders' equity	**54%**	32%	42%
Interest coverage (excluding impairments)	**1.8X**	2.4X	2.4X

* relates to continuing operations

Contents

Business Review

Financial Statements

Business Highlights

Group

Results were mainly influenced by:

- a US$63.9 million write-off and provision for our PB Towage business
- losses from low-paying Handymax positioning voyages
- a second quarter decline in the dry bulk freight market
- loss of 450 revenue days from routine dry-docking of a large proportion of our owned fleet

mitigated by:

- an effective business model enabling our daily earnings to outperform the Handysize market by 23%
- good control of our owned vessel operating costs

Balance sheet net gearing of 39% with cash and deposits of US$320 million

Fully-funded dry bulk vessel capital commitments of US$410 million

Fleet

Purchased 4 dry bulk vessels in the year to date for a committed price of US$72.8 million, and long-term chartered another 3 newbuildings

Owned fleet on the water grew from 73 to 79 dry bulk ships in the period

Our fleet numbers 298 vessels (including newbuildings) comprising 248 dry bulk ships, 47 towage vessels and 3 RoRos

Covered 59% of our contracted 21,470 Handysize revenue days in the second half of 2014 at US$9,400 per day net

Current commitments for a further 37 newbuildings (18 owned and 19 long-term chartered)

Secondhand Handysize values are down 7% in the year to date, but remain up 26% since the start of 2013

Outlook

Dry bulk market is expected to show improvement in the fourth quarter of 2014, albeit from a low base

Future supply and demand fundamentals look favourable, but market recovery remains fragile as excessive dry bulk supply is not yet fully absorbed

Our counter-cyclical owned fleet expansion at historically attractive prices positions us to leverage the expected market recovery ahead

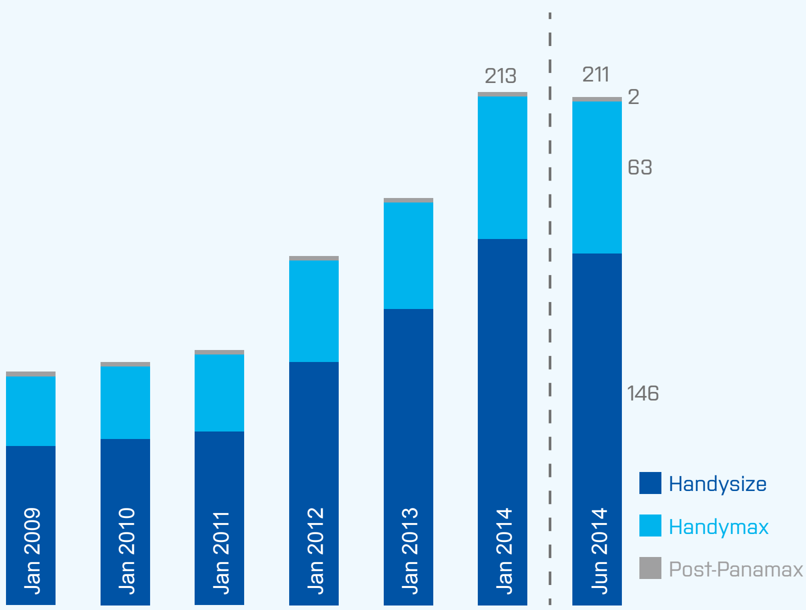
We expect to acquire further ships at a much slower pace compared to 2013

Downgraded outlook for PB Towage and its long-term earnings capability

We remain committed to our towage businesses and to our harbour and offshore towage customers

Our Dry Bulk Fleet Development

Average number of ships operated



Net (loss)/profit

US$(90.7)m net loss

(1H13: US$0.3m)

Underlying (loss)/profit KPI

US$(21.5)m net loss

(1H13: US$13.6m)

Cash and deposits

US$320.0m

(31 Dec 2013: US$486.1m)

Earnings per share

HK¢(36.9) net loss

(1H13: HK¢0.1)

Dividend per share KPI

Nil

Our Group

Pacific Basin is headquartered and listed in Hong Kong, we employ 3,000 seafarers and 380 shore-based staff in 16 offices, and we operate globally in our two maritime segments under the banners of:

Pacific Basin Dry Bulk

Our core dry bulk business is customer focused, providing industrial users and producers of raw materials and other dry bulk commodities with a professional, high-quality, reliable and competitive freight service, predominantly under long-term cargo contracts and on a spot basis.

PB Towage

PB Towage operates a fleet of modern, high-quality tugs which provide harbour towage services and offshore project towage support for energy and construction projects, operating mainly in Australasia under the banners of PB Towage and PB Sea-Tow.

Our Worldwide Network

16 offices globally

13 dry bulk offices

11 chartering offices

3 technical & crewing offices

5 towage offices

www.pacificbasin.com
contact us

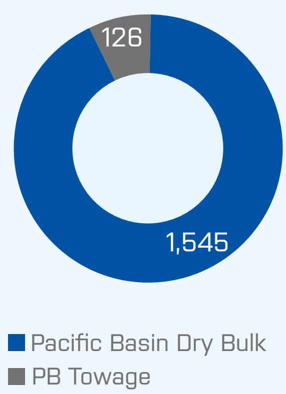
Our Fleet

295 Ships		Vessels in operation*	Newbuilds on order	Total
Dry Bulk	Handysize	146	26	172
	Handymax	63	11	74
	Post-Panamax	2	–	2
Towage	Tugs & Barges	47	–	47

www.pacificbasin.com
about us > fleet
Our full fleet list

Vessel Net Book Value

as at 30 June 2014
US$ million



* average number of ships in operation in June 2014, excluding 3 RoRo ships (sold in 2012 with forward delivery)

Chief Executive's Review

Confidence, opportunity and enhanced service delivery in challenging times

Hong Kong, 31 July 2014

Our CEO Mats Berglund reports on our performance for the half year and reflects on the outlook and strategy for Pacific Basin

FINANCIAL RESULTS & DIVIDEND

The Group produced a net loss of US$90.7 million (2013: US$0.3 million profit) from an underlying loss of US$21.5 million (2013: US$13.6 million profit) for the six months ended 30 June 2014.

Basic EPS on continuing operations was a negative HK34.7 cents, and our EBITDA was US$38.9 million (2013: US$59.4 million).

Our results were mainly influenced by:

- a US$63.9 million non-cash write-off and provision for our PB Towage business;
- losses from low-paying Handymax positioning voyages during the first quarter that could not be fully recovered in the poor second quarter market;
- a second quarter decline in the dry bulk freight market;
- the loss of 450 revenue days from the routine dry-docking of a large proportion of our owned fleet;

mitigated by:

- the value of our business model enabling our daily earnings to outperform the market; and
- good control of our owned vessel operating costs.

The Board has declared no dividend for the interim period but, for the full year, will consider a payout based on the Group's full-year operating performance and its available cash resources and commitments at that time.

PERFORMANCE OVERVIEW

Dry Bulk

In our core dry bulk shipping business, our fleet scale and our team's ability to optimise ship and cargo combinations and maximise utilisation again enabled us to outperform the market.

Our average Handysize daily earnings increased 10% year on year to US$10,210 per day and outperformed the market by 23% in a half year that saw spot market rates decline 48% since peaking in December.

Our Handymax daily earnings of US$11,100 outperformed the market by 13%, impacted by low-paying positioning voyages we made in the first quarter.

Eight owned and long-term chartered ships delivered into our fleet in the half year increasing the earning capacity of our core fleet. However, our chartered-in vessel costs and first half performance were impacted by the higher cost of Handymax vessels chartered in during the unexpected stronger spike in the regional US Gulf market at the end of 2013.

Our revenue days were reduced by an unusually busy routine dry-docking programme in the weak market, which will benefit us in the stronger market we anticipate ahead.

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See Business Review and Group Financial Review for more on our two divisions

Towage

Our towage activities faced increasingly challenging market conditions in the first half of the year.

In the offshore towage sector, the wind-down of the construction phase of Gorgon and other gas projects has resulted in increasing competition for fewer employment opportunities which has impacted the revenue of our fleet.

As detailed in our first quarter trading update, the terms of our barging project in Australia's Northern Territory were restructured due to the physical difficulties of the location. This resulted in unrecoverable project costs of US$3.5 million in the first half of 2014 and means four tugs will redeliver to us in the coming months. We are targeting potential new business, and are redeploying some tugs to the Middle East where a few of our tugs and barges are already benefitting from reasonable utilisation albeit at competitive rates.

Our harbour towage volumes grew 29% year on year with expanding activity of our young Newcastle operation offsetting the impact of reduced volumes in our other bulk ports and static volumes in our liner ports.

As announced on 25 June, our discussion with PSA Marine did not produce an offer for our harbour towage business due primarily to increased competition in recent months. We will therefore maintain our ownership of both our harbour and offshore towage businesses. The change in the competitive landscape led our Board to reassess the prospects for PB Towage and its likely future cash flows, resulting in a downgraded outlook for its long-term earnings capability and, in turn, necessitating a non-cash impairment charge and a provision together amounting to US$63.9 million in our consolidated half-year results.

The impairment will not impact the operating cash flows or operations of the Group, which will continue to benefit from a robust balance sheet. We remain committed to providing a secure and reliable service to both our harbour and offshore towage customers. We are committed to our towage businesses and are fully supporting the new business tenders in which we are engaged.

www.pacificbasin.com
Investor Relations > News
See our announcement of 25 June for more on our towage impairment and its financial effects

RoRo

The last of our RoRo vessels commenced its bareboat charter to Grimaldi in April which triggered the recognition of a final US$5 million exchange loss as previously projected.

The third of our RoRo vessels delivered into Grimaldi's ownership in June as contracted. The remaining three are all on bareboat charter to Grimaldi until they take ownership of at least one vessel in each six-month period until the end of 2015.

INVESTMENT AND BALANCE SHEET

Following our busiest ever year for dry bulk acquisitions in 2013, we have committed to purchase three secondhand vessels in the year to date. We have also ordered one newbuilding and committed to the long-term charter of three more newbuildings.

At mid-year we operated 211 dry bulk ships of which 79 were owned. A further 37 newbuildings (18 owned and 19 chartered) are due to join our trading fleet over the next three years, with the next of our owned newbuildings scheduled to deliver in mid-2015. We remain very satisfied with the timing and purchase price of our acquisitions.

As at 30 June 2014, we had cash and deposits of US$320 million and net borrowings of US$655 million. We had 16 unmortgaged dry bulk ships on the water with a combined net book value of US$324 million.

Our vessel capital expenditure obligations amounted to US$410 million payable in 2014 to 2017 in respect of our 18 newbuildings on order and one secondhand ship. To finance these newbuildings, we secured attractive funding in the form of a US$350 million, 12-year Japanese export credit agency ("ECA") loan as announced in April.

DRY BULK OUTLOOK & STRATEGY

We expect the dry bulk freight market to show improvement in the fourth quarter of 2014, albeit from a low base given the current weak spot market.

We believe the market recovery remains fragile because growing dry bulk demand has still not fully absorbed the excessive supply of mainly larger ships generated by the newbuilding delivery boom of 2010 to 2012. However, the worst of the influx of new capacity is behind us, having peaked in 2012, and the future fundamentals look favourable, especially for smaller bulk carriers of the type in which we specialise.

> Our core business remains firmly focused on the Handysize and Handymax segments and we will continue to work hard on making our already strong dry bulk platform even stronger

We are very happy with the 51 ships we have acquired in the past two years which more than doubled our owned fleet at historically attractive prices. All are of high quality and well suited to our cargo systems and should serve us well for many years to come. Our counter-cyclical owned fleet expansion is reinforcing the platform on which our dry bulk freight service is based to enhance customer satisfaction. It also positions the Company to leverage the market recovery we expect ahead, generating increased shareholder value, a competitive cost base, sustainable growth and attractive long-term returns.

Our relationships will continue to generate ship acquisition and charter opportunities, but we expect a much slower pace of acquisitions compared to 2013.

We continue to grow our dry bulk customer and cargo portfolio drawing on the recent expansion of our commercial office network into the Middle East which is also enhancing the customer service we offer in the region.

IN CLOSING

We extend a warm welcome to Mrs. Irene Waage Basili who joined our Board as an Independent Non-executive Director on 1 May 2014. Irene brings to Pacific Basin valuable additional commercial, strategic and operational experience in a range of shipping sectors including dry bulk.

Notwithstanding the current weakness in the dry bulk market and the challenges of the towage sector, we remain strong, healthy and well equipped and positioned for the next phase of the dry bulk cycle. Underpinning that strength and good health is the endorsement and support we have earned from our customers and other stakeholders. In April we were awarded the first ever "BIMCO Shipping Company of the Year" award for our innovative customer service, business profitability and solid service reliability. That is high recognition and a great honour coming from our industry's largest association, and supports our view that our staff's dedication to our company and customers, and their passion and ability to deliver excellent service make Pacific Basin one of the very best companies in dry bulk shipping.

Dry Bulk Market & Business Review

Freight Market Summary

Spot market rates for Handysize and Handymax bulk carriers averaged US$8,289 and US$9,812 per day net in the first half of 2014. While up 17% and 19% on the same period last year, these year-on-year figures mask a weaker second quarter than expected.

By mid-year, Handysize and Handymax rates had fallen 48% and 57% since peaking in December on the back of a strong US Gulf market, eradicating the improvement in rates made over the course of 2013. Rates have since fallen to levels last seen in February 2009 and February 2012.

Fundamentally we believe the market recovery remains fragile because growing demand has not yet fully absorbed the excessive overall dry bulk supply generated by the newbuilding delivery boom of 2010 to 2012.

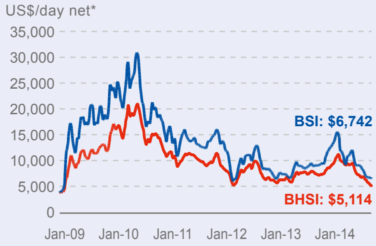
The decline in second quarter rates was not anticipated by the market and resulted in 7% lower average Handysize rates than in the second quarter of 2013.

In our view, the second quarter weakness was led by a collapse in Atlantic rates – unusually to below Pacific rates – following the repositioning of more ships than usual into the Atlantic in anticipation of the South American grain export season. This regional increase in supply was compounded by reduced South American port congestion.

+17% US$8,289 net
Handysize 1H average market spot rate

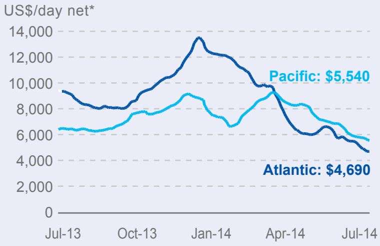
+19% US$9,812 net
Handymax 1H average market spot rate

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



Baltic Handysize Index (BHSI)
Baltic Supramax Index (BSI)
* US$ freight rates are net of 5% commission

Pacific vs Atlantic Handysize Rates



Pacific rates
Atlantic rates
* US$ freight rates are net of 5% commission
Source: The Baltic Exchange, data as at 25 July 2014

FREIGHT MARKET & OUTLOOK IMPACT SHIP VALUES

SUPPLY DRIVERS

Key Supply Developments

The global fleet of 25,000-40,000 dwt Handysize ships registered 1.9% net capacity growth during the first half of the year driven by 3.6% newbuilding deliveries and 1.7% scrapping.

The overall dry bulk fleet grew 2.7% net during the period on 3.6% newbuilding deliveries and 0.9% scrapping.

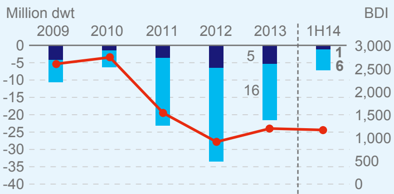
Widespread slow steaming continues to curtail effective dry bulk shipping capacity.

With newbuilding deliveries traditionally greater in the first half of the year, we expect supply growth to remain low for the remainder of the year.

+1.9%
Global Handysize capacity

+2.7%
Overall dry bulk capacity

Dry Bulk Scrapping versus BDI



Handysize scrapping (25,000-39,999 dwt)
Other dry bulk scrapping
BDI

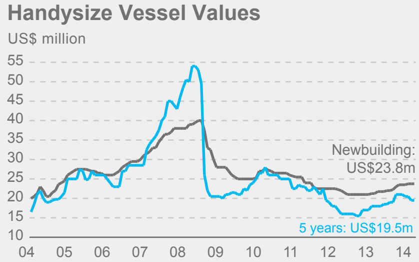
Source: Clarksons, Bloomberg

Ship Values

Clarksons currently value their benchmark five year old Handysize at US$19.5 million which represents a US$1.5 million (7%) decline since the start of the year but remains 26% above values at the start of 2013.

- 7% US$19.5m
Secondhand Handysize (since 1 Jan 2014)

Handysize Vessel Values



5-year old secondhand (32,000 dwt)
Newbuilding (35,000 dwt)
Source: Clarksons, data as at 25 July 2014

VALUES & OUTLOOK

Key Demand Developments

DEMAND DRIVERS

An Indonesian export ban has significantly reduced Chinese imports of bauxite and nickel ore. A surge in such trades at the end of 2013 gave way to zero exports since February. While representing a small part of global demand, the disappearance of these trades was abrupt and the effect therefore more pronounced on the supply/demand dynamics in the first half of 2014.

Chinese imports of other minor bulks not affected by the Indonesian ban showed solid growth of 21% year on year. Chinese iron ore imports in the period also expanded by a healthy 19%, while growth in coal imports slowed to 4%.

In Europe, a mild winter resulted in reduced coal imports.

Our segments were also affected by a hold on Argentinian grain exports partly in Argentina's anticipation of more favourable overseas pricing.

Dry bulk transportation demand is slowing, though, in the first quarter of 2014, is estimated by R.S. Platou to have increased by a still healthy 7.8% year on year.

Overall dry bulk demand

+7.8% ↑ Q1 YOY

Chinese imports – major bulks

+19% ↑ Iron Ore

+4% ↑ Coal

Chinese imports – minor bulks

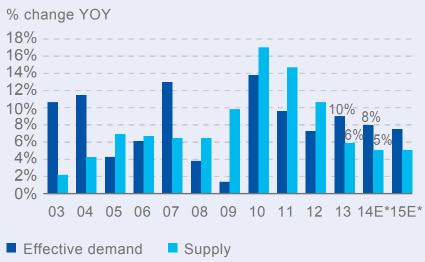
+24% ↑ Soya Bean

+27% ↑ Logs

- 40% ↓ Bauxite

- 26% ↓ Nickel Ore

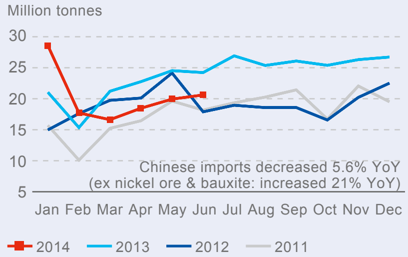
Dry Bulk Supply & Demand



Source: R.S. Platou, Clarksons

* Estimated by R.S. Platou

2014 Chinese Minor Bulk Imports



Chinese imports of 7 minor bulks including Logs, Soyabean, Fertilizer, Bauxite, Nickel, Copper Concentrates & Manganese Ore

These 7 commodities make up over one third of the cargo volumes we carry

Source: Bloomberg

Orderbook

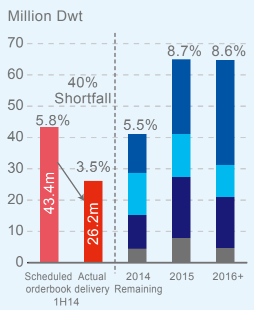
IMPACT NEW SHIP ORDERING

Due to the disappointing second quarter freight market, the high level of new dry bulk ship ordering activity in late 2013 gradually gave way to reduced orders which currently remain at low levels.

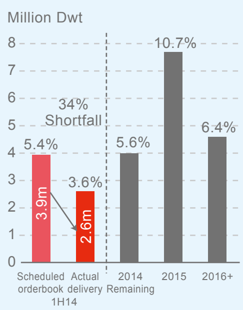
The published orderbook for Handysize vessels now stands at 23% as compared to 16% a year ago. The orderbook for dry bulk vessels overall also stands at 23%.

Dry bulk newbuilding deliveries in the first half fell short of the scheduled orderbook by 40% and we expect a significant shortfall also in the second half of the year.

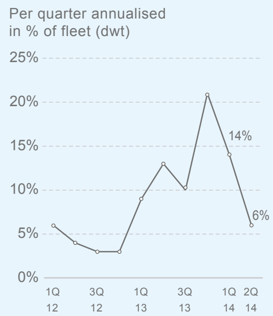
Orderbook by Year



Handysize Orderbook



Dry Bulk New Ship Contracting



Source: Clarksons, data as at 1 July 2014

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 25 YEARS OLD	SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000 – 39,999 dwt)	23%	10	13%	4%
Handymax (40,000 – 64,999 dwt)	28%	8	5%	2%
Panamax & Post-Panamax (65,000 – 119,999 dwt)	19%	8	2%	1%
Capesize (120,000+ dwt)	24%	8	1%	2%
Total Dry Bulk (10,000+ dwt)	23%	9	4%	2%

Pacific Basin Dry Bulk
How we performed in First Half 2014

Business Review

Our Pacific Basin Dry Bulk division generated a net loss of US$6.5 million (2013: net profit US$11.3 million) and a positive EBITDA of US$53.4 million in a weaker first-half market than expected.

Net Loss
US$(6.5)m

EBITDA
US$53.4m

The contribution from our Handysize activity was marginally higher year on year benefitting from daily earnings that outperformed the market and good control of our owned vessel operating costs, but our overall dry bulk result was impacted by:

- losses on Handymax vessels chartered in on a short-term basis at higher cost during the unexpected regional US Gulf market spike at the end of 2013 to perform our US Gulf cargo commitments in the first quarter;
- the unexpectedly weak dry bulk market in the second quarter;
- low-paying Handymax positioning voyages generating losses incurred in the first quarter that could not be fully recovered due to the poor second quarter market; and
- the loss of approximately US$5 million of notional TCE earnings (based on average earnings in the first half) from the scheduled dry-docking of a higher than normal proportion of our fleet amounting to 450 revenue days.

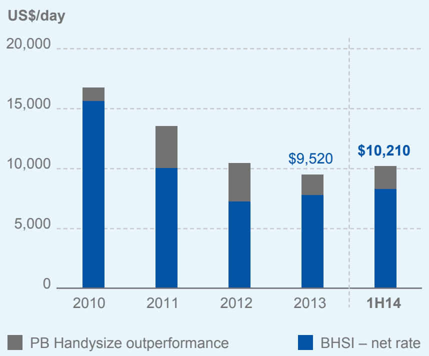
Segment Operating Performance

	Six months ended 30 June		
US$ Million	2014	2013	Change
Handysize contribution	26.2	22.4	+17%
Handymax contribution	(10.7)	4.3	-349%
Post-Panamax contribution	2.7	2.9	-7%
Segment operating performance before overheads	18.2	29.6	-39%
Direct overheads	(24.7)	(18.3)	-35%
Segment net (loss)/profit	(6.5)	11.3	-158%
Segment EBITDA	53.4	50.7	+5%
Segment vessel net book value	1,545.0	1,250.0	+24%
Segment net assets	663.0	885.1	-25%

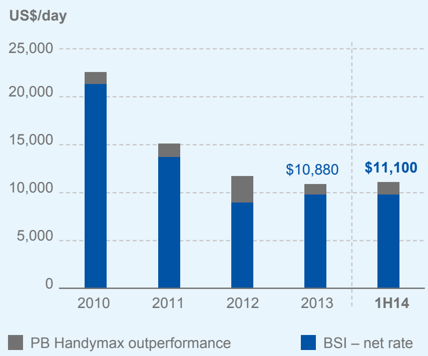
Key Performance Indicators KPI

Daily Earnings Performance vs Market

Handysize **23% outperformance compared to market**



Handymax **13% outperformance compared to market**

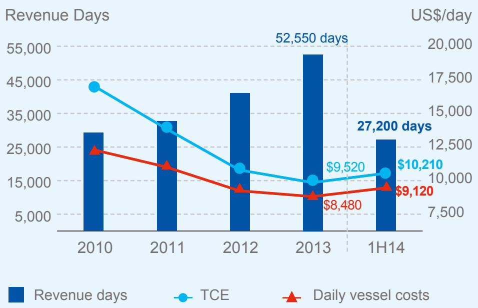


- Our average Handysize and Handymax daily earnings outperformed BHSI and BSI spot market indices by 23% and 13%.
- This outperformance reflects the value of our business model, fleet scale and cargo book, and our team's ability to achieve optimal cargo combinations and match the right ships with the right cargoes.

Profitability

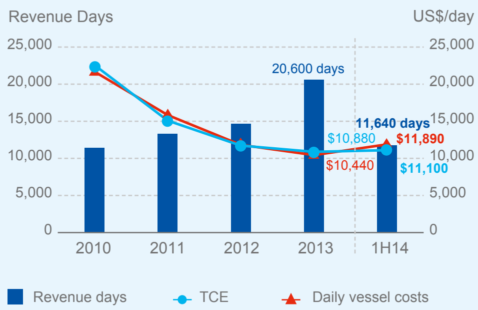
Handysize

US$26.2m **17% YOY**



Handymax

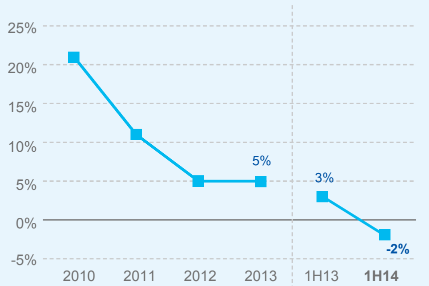
US$(10.7)m loss **349% YOY**



- A respectable Handysize result in a difficult market environment on Handysize daily earnings of US$10,210 and daily costs of US$9,120 on 27,200 revenue days.
- We operated an average of 152 Handysize and 65 Handymax ships resulting in 15% and 28% increases in our Handysize and Handymax revenue days.
- Our capacity increased as our purchased vessels continued to deliver and enhance our ability to service our expanding customer base, increasing the proportion of our owned ships compared to chartered ships.
- Handymax vessels chartered in on a short-term basis at higher cost at the end of 2013 resulted in losses for those vessels in the first quarter of 2014. Short-term chartered Handysize and Handymax capacity reduced in the first half of 2014 compared to the second half of 2013.
- Cost of services (previously "direct costs") grew 25% mainly due to increases in (i) charter-hire expenses, (ii) bunkers, (iii) port disbursements and (iv) finance costs (with a full allocation of borrowings and associated interest from treasury to the Pacific Basin Dry Bulk segment).

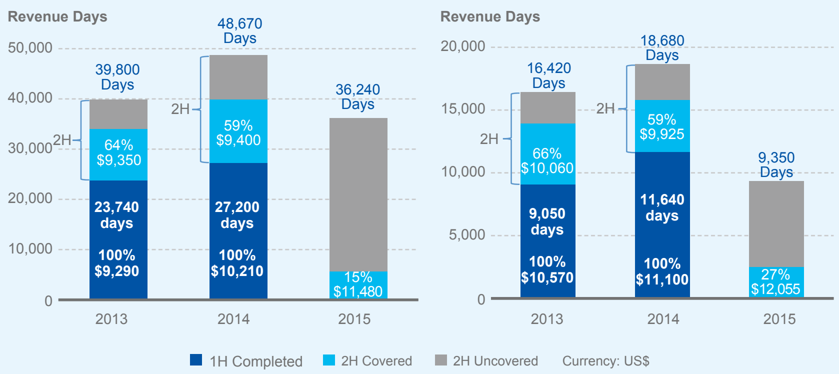
Return on Net Assets

(2%) Annualised **5 points YOY**



- Our annualised return on dry bulk net assets was negative 2% which we consider unsatisfactory although driven by the weak market.
- We aim to achieve solid long-term returns on assets, so we have invested counter-cyclically for enhanced returns in the stronger market we expect ahead.

Future Earnings and Cargo Cover



- We have covered 59% of both our 21,470 Handysize and 7,040 Handymax revenue days currently contracted for the second half of 2014 (cargo cover excludes revenue days related to vessels chartered in on variable, index-linked charter rates).

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- While our long-term contract cover provides a degree of earnings visibility, our uncovered capacity gives us exposure to the spot market which we expect to strengthen in the fourth quarter.

Analysis of Daily Vessel Costs

The cost of owning and operating dry bulk ships is the major component of our Group's total costs, and our ability to maintain good control of our "daily vessel costs" has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

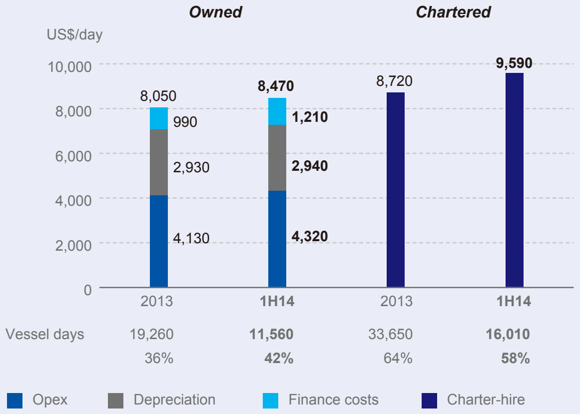
Our dry bulk fleet incurred cost of services (including bunker fuel costs and port disbursements) of US$856.0 million (2013: US$683.5 million) representing 94% of total Group cost of services (2013: 92%).

Our Handysize and Handymax blended daily costs increased 8% and 14% respectively compared to full year 2013 mainly due to increased inward charter costs.

Our proportion of lower cost owned Handysize and Handymax vessels increased 6% and 8% to 42% and 22% respectively with delivery of last year's second hand purchases.

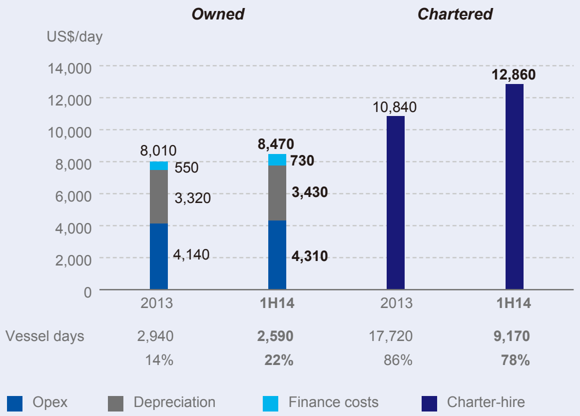
Handysize Daily Vessel Costs

Blended US$9,120 (FY2013: US$8,480)



Handymax Daily Vessel Costs

Blended US$11,890 (FY2013: US$10,440)



Opex – The daily opex element of our vessel costs increased 5% for Handysize and 4% for Handymax mainly due to inflation in crew wages.

Depreciation – Daily depreciation (including capitalisation of dry-docking costs) was substantially unchanged compared to 2013.

Page 19
2014 Proforma daily depreciation

Finance costs – Daily finance costs increased due to i) the reallocation of all the financing and associated costs for dry bulk vessels from treasury to the Pacific Basin Dry Bulk segment, and ii) the increase in bank borrowings which were drawn down towards the end of last year.

Charter-hire – Chartered-in days represented 58% and 78% of our total Handysize and Handymax vessel days respectively. Our Handysize chartered-in days increased 5% to 16,010 days (2013: 15,230 days) while our Handymax chartered-in days increased 14% to 9,170 days (2013: 8,070 days). However, they decreased 13% and 5% respectively when compared to our Handysize and Handymax chartered-in days in the second half of 2013 due to a reduced level of short-term inward chartered vessels. Despite currently depressed dry bulk spot market rates, longer term charter rates remain strong as dry bulk market conditions are expected to strengthen.

Page 20
2014 Commitments Including Index-linked vessels
Analysis of our long-term, short-term and index-linked charter commitments

Direct overheads comprising chartering, operations and technical staff and office costs related to our dry bulk ships. Its increase was mainly due to a 22% step increase in dry bulk headcount following our vessel expansion in 2013 and inflation increases in overhead costs. Due to the higher vessel days the aggregate overhead translated into a lower 13% increase in daily cost to US$620 per day (FY2013: US$550 per day), reverting to 2011 and 2012 levels.

During the period, we secured 6,090 Handysize vessel days (2013: 5,040 days) and 1,350 Handymax vessel days (2013: 1,070 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 38% and 15% of our chartered Handysize and Handymax vessel days respectively.

Our fleet of owned and finance-leased dry bulk vessels experienced an average 0.5 days unplanned technical off-hire per vessel during the period – down from 1.3 days in the same period last year.

Dry Bulk Business Highlights

In January 2014, we enhanced our global network with a new Pacific Basin Dry Bulk presence in Dubai to better serve customers in the Middle East and India and to expand our customer relationships and cargo portfolio in the region. Our service delivery is now backed by eleven customer-facing offices providing our customers with localised commercial and operational support. They cover all major continents and oceans so that we can offer a reliable, tailored and flexible freight service anywhere in the world and at any time.

In the first half of 2014, we committed to purchase one newbuilding and three secondhand vessels, and long-term charter three newbuildings. Eight owned and long-term chartered ships delivered into our fleet during the period, including four owned and two chartered Handysize vessels and two owned Handymax vessels. A further four delivered in July. At mid-year we operated 211 dry bulk ships of which 79 were owned, 40 were long-term chartered and 92 were on index-linked or short-term charters. A further 37 newbuildings (18 owned and 19 chartered) are due to join our trading fleet over the next three years.

Pacific Basin is the world's largest owner and operator of Handysize ships supplemented by a growing fleet of Handymax ships. By operating one of the largest "Handy" fleets of owned and long-term chartered 25-60,000 dwt vessels – supported by our award-winning in-house technical management team – we can deliver industry-leading reliability and shipment frequency for our customers without dependence on third-party spot market ships.

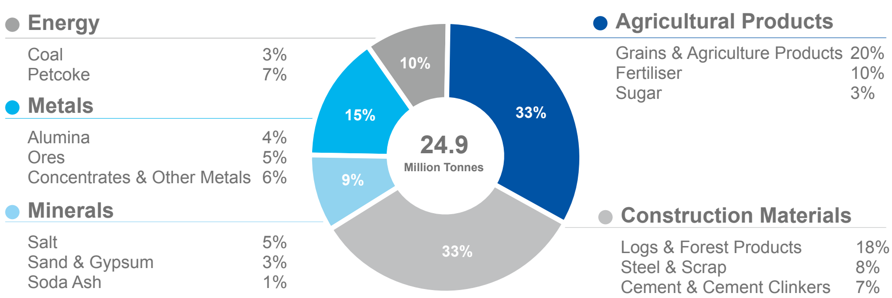
> We continue to make every effort to develop our service capability

The synergies of our fleet scale, global office network and operational expertise enable us to generate respectable vessel earnings in a depressed market, as evidenced by our average daily vessel (or time charter equivalent "TCE") earnings which outperformed the BHSI and BSI spot market indices by 23% and 13% respectively in the first half of 2014.

Underpinning our strengths relative to the market are the endorsement and support we have earned from our over 400 customers last year for whom we carried 24.9 million tonnes of cargo in the first half of 2014. In April we were awarded the first ever "BIMCO Shipping Company of the Year" award for our "innovative customer service, business profitability and solid service reliability" – high recognition and a great honour coming from our industry's largest association.

We have an unusually busy routine dry-docking programme this year with 41 of our owned ships due to dock. By comparison, 18 of our ships docked in 2013. We are taking the opportunity to upgrade our recently acquired ships that were due for docking to the usual high standard that Pacific Basin expects so as to reliably service our customers' needs. The 41 ships scheduled to be docked in 2014 represent over 50% of our owned fleet. Of these, 24 completed docking in the first six months when we incurred 450 docking-related off-hire days on our owned fleet (about two thirds of docking off-hire projected for 2014) with the consequential loss of revenue impacting our half-year results. Dockings were completed efficiently and at competitive cost and, by docking this large number of ships in the weak market, we expect to benefit from less docking off-hire in the stronger market we anticipate ahead. Our scheduled dockings are projected to reduce to 20 in 2015.

Our Handysize and Handymax Cargo Volumes in First Half 2014



Dry Bulk Outlook & Strategy

Market Outlook

OPPORTUNITIES

- Continued strong Chinese demand for minor bulk commodities
- Increased overseas mining output and lower commodity prices leading to increased Chinese imports replacing higher-cost domestic resources
- Continued OECD economic recovery, revival in North American industrialisation and a stronger than expected recovery in Europe contributing to healthy global dry bulk demand growth
- A smaller scheduled newbuilding orderbook for 2014-2016 leading to moderate global fleet growth
- Continued scrapping and moderate newbuilding deliveries leading to modest Handysize net fleet growth

THREATS

- Ship owner optimism may return driving reduced scrapping and increased new ship ordering, which could generate oversupply in the longer term
- Credit squeeze in China and other emerging economies leading to slower economic and industrial growth and slower growth in dry bulk trades
- Lower fuel prices causing the world's dry bulk fleet to speed up resulting in an effective increase in capacity
- Increased national protectionism (such as the Indonesian minerals export ban) impacting key cargo trades, although possibly triggering a beneficial increase in tonne-miles through imports from further afield

Outlook for our Dry Bulk Business

We expect the dry bulk freight market to show improvement in the fourth quarter of 2014, albeit from a low base given the current weak spot market. The second half of the year typically sees fewer shipyard deliveries and greater dry bulk cargo volumes which combine to support a healthier balance of supply and demand.

The year started with China holding an enlarged stockpile of bauxite and nickel ore in preparation for the Indonesian export ban, and we will have to wait for stocks to be depleted before we see how the trade in these commodities will develop in the longer term. If the Indonesian ban should remain in force for much longer, we would expect future Chinese demand for bauxite and nickel ore in the medium term to be satisfied by new supply sources mostly further afield.

The expanding supply and decreasing price of iron ore will likely lead to increased Chinese imports replacing higher-cost domestic ores, directly benefiting the Capesize segment but indirectly also improving conditions for smaller bulk carriers. Increasing environmental pressure may lead to continued weaker growth in Chinese demand for coal – especially from Indonesia.

Notwithstanding the unexpectedly protracted weakness in the market in the year to date, the outlook for our own business is positive.

STRATEGY

Our core business remains firmly focused on the Handysize and Handymax segments and we will continue to work hard on making our already strong dry bulk platform even stronger.

We are committed to our cargo focused business model and are proactively working to further strengthen our cargo systems and customer relationships in order to optimise the utilisation of our fleet. We continue to work closely with our customers on both spot and contract cargoes and, during the first six months of the year, we concluded several contracts of affreightment at reasonable long-term freight rates.

We are very happy with our significant counter-cyclical ship acquisition programme and the 51 vessels (33 secondhand and 18 newbuildings) we have purchased in the past two years. All but one are from Japanese yards and all are high-quality vessels very suitable for our cargo systems.

A larger owned fleet acquired at historically attractive prices means a larger EBITDA generating capacity, high operational flexibility and significant upside in the cyclical recovery that we expect ahead.

We remain selectively open to the acquisition of Handysize and Handymax ships at appropriate prices but we expect a much slower pace of acquisitions compared to 2013.

We will continue our use of short-term and index-linked chartered ships which we use in addition to owned and long-term chartered ships (our "core" fleet) to optimise the execution of our cargo systems. This generates synergies from better ship and cargo combinations and enhances the timeliness and flexibility of our service to our customers.

Our exposure to the freight market is influenced by our cargo book which currently provides cover for 59% of our dry bulk revenue days in the second half of 2014.

Towage Market & Business Review

The Australian towage market in the year to date has become increasingly competitive at a time of reduced demand and excess capacity.

In spite of these tough market conditions, we remain committed to our towage businesses and to providing a secure and reliable service to both our harbour and offshore towage customers. We are currently engaged in tenders for potential new business and are committed to supporting these initiatives.

OFFSHORE TOWAGE & INFRASTRUCTURE SUPPORT

The construction of the Gorgon project and other Australian oil and gas developments is nearing completion or has completed, the logistics requirements of other construction projects are of a smaller scale, and a number of new projects remain in the planning stage or are on hold. Towage and support vessels released from expiring contracts are therefore competing for fewer longer term employment opportunities resulting in excess capacity.

HARBOUR TOWAGE

Australian harbour towage activity has generally shown reduced growth, largely driven by fluctuating raw materials demand from China, liner consolidation and some weather-related interruptions. Competitors are adopting increasingly aggressive strategies to capture market share.

PB Towage
How we performed in First Half 2014

Business Review

Our PB Towage division generated a net loss of US$9.2 million in the first half of 2014 in the face of an increasingly competitive landscape. The wind-down of the construction phase of Gorgon and other gas projects has resulted in increasing competition for fewer employment opportunities which is impacting earnings and utilisation of our offshore towage fleet. Our harbour towage volumes increased 29% year on year driven by the expanding activity of our young Newcastle operation which offset the reduced volumes in our other bulk ports and static volumes in our liner ports.

Net Loss
US$(9.2)m

EBITDA
US$(3.0)m

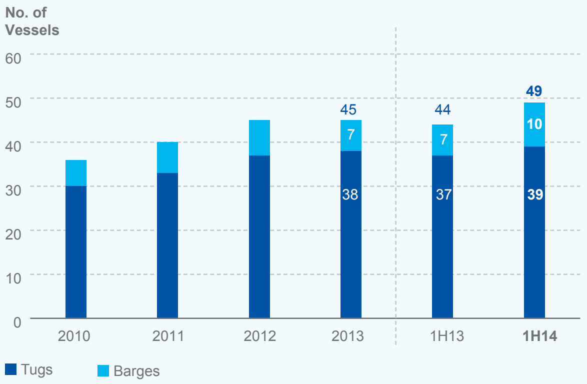
Segment Operating Performance

US$ Million	Six months ended 30 June 2014	2013	Change
Offshore & Infrastructure projects	(2.6)	15.3	-117%
Harbour towage	2.4	7.0	-66%
Segment operating performance before overheads	(0.2)	22.3	-101%
Direct overheads	(9.0)	(9.7)	+7%
Segment net (loss)/profit	(9.2)	12.6	-173%
Segment EBITDA	(3.0)	19.8	-115%
Segment vessel net book value	126.1	179.8	-30%
Segment net assets	136.8	210.6	-35%

Key Performance Indicators KPI

Average Number of Vessels Operated

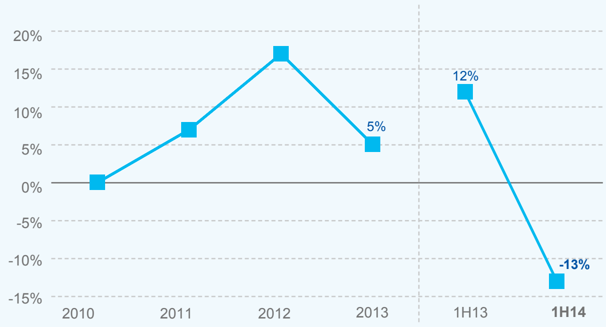
49 vessels **11% YOY**



- We operated an average of 49 towage vessels in the first half of 2014.
- Having expanded our barge fleet in the second half of 2013 for the new project in the Northern Territory, we have recently started to redeliver chartered-in tugs as they become surplus to requirements.
- Our fleet currently comprises 31 owned and 4 chartered tugs, 10 owned barges, 1 chartered passenger/supply vessel and 1 owned bunker tanker.

Return on Net Assets

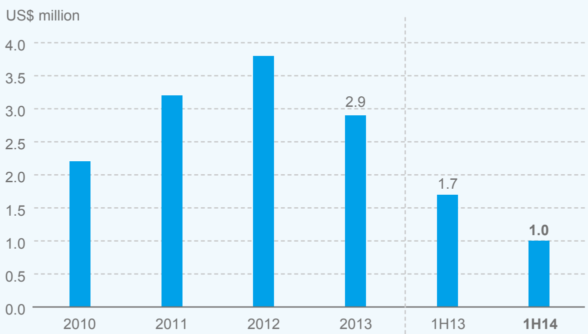
(13%) annualised **25 points YOY**



- Faced with the challenging market conditions, PB Towage made a net loss of US$9.2 million to generate an annualised return on net assets of negative 13%.

Vessel Revenue

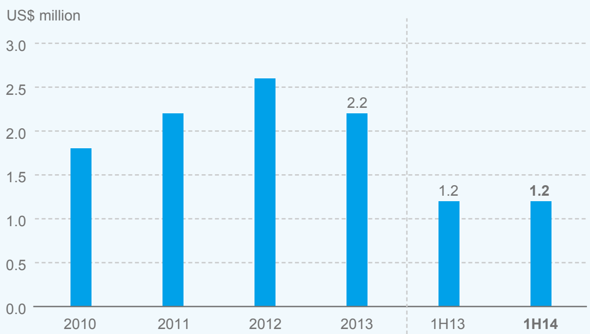
US$1.0m per vessel **41% YOY**



- Our tugs and barges generated reduced average revenue of US$1.0 million per vessel due to lower rate levels, the restructured terms of our trans-shipment project and the redeployment of vessels in a weaker market.
- Deployment rates were supported by moderate growth in harbour activity but are potentially undermined by increasing competition for fewer employment opportunities in the offshore towage sector.
- We carefully manage the deployment of our offshore vessels, working with customers to try to release our chartered tugs before our owned tugs so that we can redeliver our chartered tugs rather than face underutilisation of our owned fleet.

Vessel Costs

US$1.2m per vessel **0% YOY**



- Our vessel costs averaged US$1.2 million in the half year, which is substantially unchanged year on year.

Towage Business Highlights

Harbour Towage

Our activity in Australian bulk ports was impacted by the Indonesian nickel ore export ban (reducing imports into Townsville and affecting our operations there) and by the reduced Australian export of certain commodities due to plant maintenance and the expectation of improving market prices ahead. Our volumes continue to expand steadily and in line with our expectations in the coal port of Newcastle where we commenced operations a year ago.

Volumes at our three liner ports remained static during the period, and competition for market share in these ports is increasing.

Offshore Towage and Infrastructure Support

Our OMSA joint venture's Gorgon contract was extended last year through December 2015 but volumes under this contract are now rapidly declining and tugs and barges are being redelivered to us and other service providers as the construction phase nears completion. Gorgon's longer term operating phase will require certain transportation services and OMSA has registered its interest in such contract. Details of this requirement which is expected to start in late 2015 have yet to be announced.

As detailed in our first quarter trading update, the terms of our iron ore trans-shipment project in Australia's Northern Territory were restructured due to the physical difficulties of the location. Four barges remain deployed on the project on a bareboat charter basis for five years, and four tugs are on bareboat charter until they redeliver to us within the coming months. As expected, mobilisation and related costs and weather-impacted revenue resulted in unrecoverable project costs of US$3.5 million in the first half of 2014.

We continue to seek new employment for our tugs and barges as part of our wider efforts to develop new projects for our offshore towage business as activity declines on the Gorgon and other projects.

In the Middle East, we maintain good utilisation of our three tugs and three barges despite the competitive environment there. At some cost of repositioning, we are redeploying a number of offshore assets from Australia to the region.

Towage Outlook & Strategy

Market Outlook

OPPORTUNITIES

- Exclusive harbour towage licenses in some bulk ports up for tender in 2015 onwards
- New employment opportunities in the Middle East, where we already have a presence and relationships
- Expected tender for Gorgon's operating phase transportation services contract and the longer term possibility of logistics support requirements for potential construction of further Gorgon LNG trains
- Growth in Australian bulk exports and containerised trade supporting growth in harbour towage volumes

THREATS

- High costs, labour market inflexibility, environmental concerns and global competition impacting Australian project economics and oil and gas industry outlook
- Further competition from other Australian towage operators
- Credit squeeze in China impacting growth in dry bulk trades and Australian port activity
- Instability in the Middle East a concern for energy and construction projects in the region

Outlook and Strategy for our Towage Business

We expect our Australian offshore towage operations to be impacted by reduced demand and increased competition as Gorgon and other key projects complete their construction phase. We are taking extra cost-control measures to better weather the challenging environment.

We expect continued expansion of Australian seaborne trade to support growth in harbour towage demand overall. Our harbour towage performance in the short term partly depends on the growth of our Newcastle operation and, in the longer term, on our success in expanding our market share in our existing and new ports.

As announced on 25 June, the increasingly competitive landscape led our Board to reassess the prospects for our towage businesses with a particular focus on their likely future cash flows. This exercise resulted in a downgraded outlook for the long-term earnings capability of PB Towage necessitating:

- a non-cash vessel impairment charge of US$51.6 million;
- a US$10.1 million impairment against our interest in joint ventures; and
- provisions of US$2.2 million.

These are reflected in our consolidated half-year results.

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We remain committed to these businesses and to providing a secure and reliable service to both our harbour and offshore towage customers.

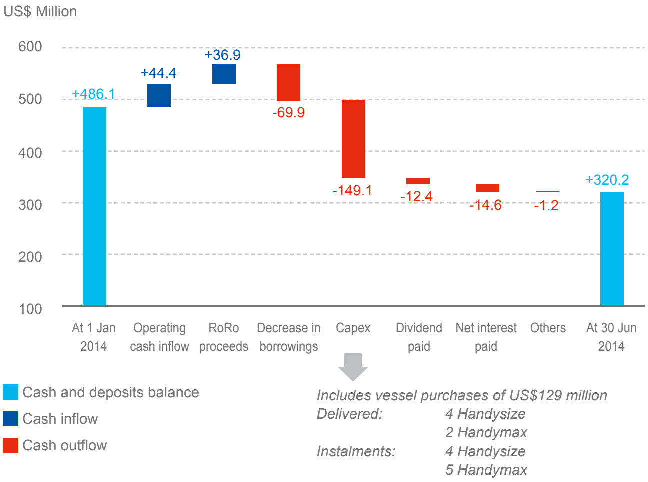
In harbour towage, our focus is on tendering for licenses in new ports, continuing to grow our Newcastle business and providing first-class service to all our customers.

In the offshore sector, our focus is on managing and restructuring our business in response to vessel redeliveries from existing contracts and on competing for tenders and repositioning vessels to find replacement employment both in Australia and the Middle East.

Funding

CASH FLOW AND CASH

1H 2014 Sources and Uses of Group Cash Flow



The Group's four main sources of funds are operating cash flows, bank loans, convertible bonds and equity.

As part of the ordinary activities of the Group, the Treasury function actively manages the cash and borrowings of the Group to ensure sufficient funds are available to meet the Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long term, the Group aims to maintain a conservative consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of property, plant and equipment – which we believe is sustainable over all stages of the shipping cycle.

As at 30 June 2014, the Group had cash and deposits of US$320.2 million resulting in a 39% net gearing ratio.

Cash Flow

The major factors influencing future cash balances are operating cash flows, purchases of dry bulk vessels, sale of assets, and drawdown and repayment of borrowings. The Group has sufficient cash resources, undrawn committed bank borrowing facilities and unmortgaged vessels to fund its capital commitments of US$410 million.

Liquidity	US$320.2 million of total cash and deposits (principally denominated in US$)
	US$371.5 million of undrawn bank borrowing facilities
Net working capital	US$201.0 million

Cash and Deposits

Treasury is permitted to invest in a range of cash and investment products subject to limits specified in the Group Treasury Policy. These include overnight and term deposits, money market funds, liquidity funds, certificates of deposit, structured notes, and currency linked deposits.

Treasury enhances Group income by investing in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong.

The split of current and long term cash, deposits and borrowings is analysed as follows:

US$' Million	30 June 2014	31 December 2013	Change
Cash and deposits	**317.8**	483.2	
Restricted bank deposits			
– non-current	**1.3**	1.3	
– current	**1.1**	1.6	
Total cash and deposits	**320.2**	**486.1**	-34%
Current portion of long term borrowings	**(218.3)**	(328.5)	
Long term borrowings	**(756.4)**	(708.7)	
Total borrowings	**(974.7)**	**(1,037.2)**	+6%
Net borrowings	**(654.5)**	(551.1)	-19%
Net borrowings to net book value of property, plant and equipment KPI	**38.9%**	34.0%	
Net borrowings to shareholders' equity	**53.8%**	42.3%	

The decrease in cash and deposits mainly represents deployment of US$129 million of cash resources into dry bulk vessel purchases.

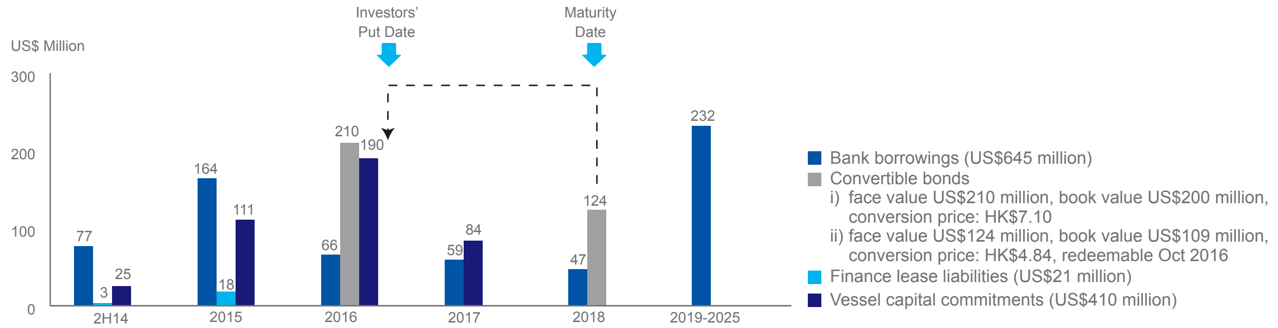
The Group's cash and deposits at 30 June 2014 comprised US$294.2 million in US Dollars, US$11.2 million in Australian Dollars and US$14.8 million in other currencies. They are primarily placed in liquid deposits of 3 months or less and saving accounts, to maintain the liquidity to meet the Group's vessel purchase commitments and working capital needs.

Restricted bank deposits primarily relate to collateral pledged to maintain guarantees issued for offshore and infrastructure projects in the Towage segment.

During the period, Treasury achieved a 1.2% return on Group cash. Interest income is benchmarked against a target yield of 0.7% being 50 basis point above 3-month USD LIBOR.

BORROWINGS

Schedule of Repayments and Vessel Capital Commitments



The Group's Treasury function arranges financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. Borrowings comprise:

- bank borrowings;
- the debt element of convertible bonds; and
- finance lease liabilities.

The aggregate borrowings of the Group amounted to US$974.7 million (31 December 2013: US$1,037.2 million). They are principally denominated in United States Dollars, except for bank loans equivalent to US$21.6 million (31 December 2013: US$22.2 million) which are denominated in Australian Dollars.

Bank Borrowings

Bank borrowings (net of deferred loan arrangement fees) were US$645.1 million (31 December 2013: US$690.4 million) at 30 June 2014 and are in the functional currency of the business segment to which they relate. Bank borrowings reduced in line with loan amortisation. During the period, the Group secured additional Japanese export credit facilities totalling US$350 million for 18 newbuildings. The loans under these facilities will be drawn after the delivery of the vessels scheduled between mid-2015 and mid-2017.

The Group monitors the loans-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group pledges additional cash or offers additional unmortgaged vessels as collateral.

As at 30 June 2014:

- The Group's bank borrowings were secured by mortgages over 73 (31 December 2013: 73) vessels with a total net book value of US$1,199.2 million (31 December 2013: US$1,225.4 million) and an assignment of earnings and insurances in respect of these vessels.
- The Group had 43 unmortgaged vessels with a total net book value of US$410.8 million split into 16 dry bulk ships with a net book value of US$323.6 million and 27 Towage tugs and barges with a net book value of US$87.2 million.
- The Group was in compliance with all its loans-to-asset value requirements.
- The Group had undrawn bank borrowing facilities of US$371.5 million (31 December 2013: US$23.8 million).

P/L impact: The increase in interest (after capitalisation) to US$9.5 million (2013: US$4.8 million) was mainly due to an increase in average bank borrowings to US$679.5 million (2013: US$452.7 million) and the decrease in interest capitalised to undelivered newbuild vessels to US$0.1 million (2013: US$2.5 million). Certain bank borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

Finance Lease Liabilities

Finance lease liabilities decreased following scheduled repayments during the period. Finance lease liabilities are allocated to the dry bulk segment in which the assets are owned.

Aggregate current and long term finance lease liabilities at 30 June 2014 were US$20.6 million (31 December 2013: US$23.0 million) relating to three Handysize vessels with a total net book value of US$21.8 million (31 December 2013: three with a total net book value of US$25.0 million) whose bareboat charters expire in 2015. The fixed, equal, quarterly charter-hire payments are accounted for as a combination of repayments of finance lease liabilities on the balance sheet and finance charges in the income statement. Finance charges can be expressed as interest rates, fixed for the period of the leases.

P/L impact: Finance charges of US$0.7 million (2013: US$4.7 million) represent interest payments on Handysize vessels under finance leases.

Convertible Bonds

The debt components of the 1.75% p.a. coupon April 2016 convertible bonds and 1.875% p.a. coupon October 2018 convertible bonds decreased to US$309.0 million (31 December 2013: US$323.8 million) at 30 June 2014. The decrease in the debt component amount is mainly due to the partial repayment of the 2016 convertible bonds with a face value of US$20.4 million on 12 April 2014, following the exercise by certain bondholders of their right to redeem the bonds at 100% of the principal amount pursuant to the terms and conditions of the bonds.

P/L impact: The US$7.6 million (2013: US$7.6 million) interest expense of the convertible bonds is calculated at an effective interest rate of 4.9%.

FINANCE COSTS

Finance Costs by Nature

(US$ Million)	Average interest rate P/L	Cash	Balance at 30 June 2014	Finance costs 1H2014	1H2013	Change
Bank borrowings including realised interest rate swap contracts	3.8%	3.8%	645.1	**13.8**	7.7	-79%
Finance lease liabilities	6.6%	6.6%	20.6	**0.7**	4.6	+85%
Convertible bonds	4.9%	1.8%	309.0	**7.6**	7.6	0%
	4.3%	3.2%	974.7	**22.1**	19.9	-11%
Finance lease purchase option termination expenses				**–**	6.1	
Unrealised interest rate swap income				**(0.8)**	(1.4)	
Other finance charges				**0.4**	0.3	
Total finance costs				**21.7**	24.9	+13%

The KPIs on which management focuses to assess the cost of borrowings are:

- Average interest rates for the sources of borrowings (see table above)

	1H2014	1H2013
Group Interest Coverage	**1.8x**	2.4x

Group Interest Coverage is calculated as EBITDA divided by total gross finance costs

Our dry bulk and towage operations incurred finance costs of US$21.7 million (2013: US$24.9 million). Included in the finance costs for the same period last year were US$6.1 million termination costs of the embedded fixed interest rate swap contracts associated with exercising five purchase options on finance leased vessels.

Following the Group's acquisition of dry bulk vessels and securing new loans, additional finance costs and borrowings were allocated from Treasury to the Pacific Basin Dry Bulk segment, thus reducing the segment net assets.

For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the appropriate business segment. This results in the Treasury segment having a nil net finance cost.

The Group aims to achieve a balance between floating and fixed interest rates on its long term borrowings. This is adjusted from time to time, depending on the shipping and interest rate cycles, using interest rate swap contracts where appropriate. During the period, US$4.3 million of interest rate swap contract costs were realised and US$0.8 million of unrealised gains arose resulting in a net US$3.5 million swap contract charge. As at 30 June 2014, 9% (31 December 2013: 10%) of the Group's long term borrowings were subject to floating rates.

DELIVERED VESSELS

As at 30 June 2014, the Group had delivered vessels with a net book value of US$1,632 million as follows:

		Number	Average age (years)	Average net book value (US$ Million)	Total net book value (US$ Million)
Dry Bulk	Handysize	66	8.8	16.5	1,093
Dry Bulk	Handymax	15	5.9	24.2	363
Dry Bulk	Post-Panamax	1	3.0	50.3	50
Towage	Tugs & Barges	37	10.1	3.4	126

Tugs and barges are denominated in their functional currency of the Australian Dollar, and hence their US Dollar carrying values and commitments are subject to exchange rate fluctuations.

VESSEL COMMITMENTS

As at 30 June 2014, the Group had vessel commitments of US$409.8 million. These vessels are scheduled to deliver to the Group between July 2014 and April 2017.

(US$ Million)	Number of vessels	2H14	2015	2016	2017	Total
Contracted and authorised commitments						
Handysize vessels	13	17.3	87.6	129.9	32.4	267.2
Handymax vessels	6	7.8	23.3	59.9	51.6	142.6
	19	25.1	110.9	189.8	84.0	409.8

These commitments, along with future potential vessel acquisitions, will be financed by a combination of cash generated by the Group's operations, existing cash and additional long term borrowings to be arranged as required. Where commitments are in currencies other than the functional currencies of the underlying assets, the Group has entered into forward foreign exchange contracts to purchase the currencies at predetermined rates.

Coupled with existing vessels, these commitments are expected to increase the number of 2014 vessel days to around 23,750 for Handysize and around 5,450 for Handymax, depending on actual delivery dates. The current 2014 proforma daily depreciation for owned vessels including these commitments is expected to be around US$3,000 per day for Handysize and around US$3,600 per day for Handymax. However, this will change with future potential vessel acquisitions and the capitalisation of dry-docking costs incurred during the year.

VESSEL PURCHASE OPTIONS

Certain lease agreements provide the Group with options to purchase the related vessels at predetermined times and prices during the lease periods. The average price of the Group's existing purchase options in the earliest years in which these options may be exercised, along with the number of vessels and the average age of such vessels in those years, are as follows:

Earliest year in which options may be exercised	Vessel type	Number of vessels at 30 June 2014	Average age of vessels (years)	Average purchase option exercise price[1] (US$ Million)
2014	Handysize	1	7	16.8
	Tug & barge	3	5	4.8
2016	Handysize	2	5	30.4
	Handymax	1	5	30.0
	Post-Panamax	1	5	52.6
2017	Handysize	2	9	19.3
2020	Handysize	3	5	23.0
2021	Handysize	3	6	24.9
	Handymax	1	5	35.0
2022	Handysize	1	7	30.7
	Handymax	1	7	27.0
Total		19		

Note 1: Includes certain purchase options priced in Japanese Yen.

Note 2: In respect of three finance lease vessels with an average age of 17 years, we hold purchase options which are currently exercisable at an average price of US$6.9 million.

Estimated fair market values published by Clarksons are US$19.5 million and US$25.5 million for 5 year old 32,000 dwt Handysize and 56,000 dwt Handymax vessels respectively.

VESSEL OPERATING LEASE COMMITMENTS

Vessel operating lease commitments stood at US$941.7 million (31 December 2013: US$854.1 million), comprising: US$629.7 million for Handysize; US$265.4 million for Handymax; US$45.8 million for Post-Panamax vessels; and US$0.8 million for tugs.

As a result of the increased cargo volumes carried by the Group, our Handysize operating lease committed days increased 5% to 60,400 days (31 December 2013: 57,600 days) and our Handymax operating lease committed days increased 44% to 20,820 days (31 December 2013: 14,470 days).

The following table shows the average contracted daily charter rates and the annual total number of vessel days of our chartered-in Handysize and Handymax vessels during their remaining operating lease terms by year, assuming the purchase options will not be exercised until the expiry of the charter-hire agreements.

Commitments Excluding Index-linked Vessels

	Handysize		Handymax	
Year	Vessel days	Average daily rate (US$)	Vessel days	Average daily rate (US$)
2H14	7,310	9,570	3,340	11,860
2015	11,140	10,220	3,720	12,930
2016	9,170	10,290	3,350	12,920
2017+	32,780	10,720	10,410	12,910
Total	60,400		20,820	
Aggregate operating lease commitments		US$629.7 m		US$265.4 m

2014 Commitments Including Index-linked Vessels

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Analysis of Daily Vessel Costs

Our fixed rate and variable rate index-linked lease commitments showing first six months completed and 2014 and 2015 outstanding lease periods can be analysed as follows:

Handysize

	1H14		**2H14**		**2015**	
	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long term (> 1 year)	5,270	9,500	5,550	9,820	10,890	10,250
Short term	4,650	10,210	1,760	8,780	250	8,780
Index-linked	6,090	9,210	5,020	Market rate	4,880	Market rate
Total	16,010	9,590	12,330		16,020	

Handymax

	1H14		**2H14**		**2015**	
	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)	Vessel Days	Average daily rate (US$)
Long term (> 1 year)	1,780	12,090	1,970	12,790	3,720	12,930
Short term	6,040	13,630	1,370	10,520	–	–
Index-linked	1,350	10,460	1,080	Market rate	210	Market rate
Total	9,170	12,860	4,420		3,930	

Our average contracted daily inward charter rates for long term contracts are rising partly reflecting a shift in our forward commitments towards chartering larger 37,000 dwt Handysize ships as opposed to the traditional 28,000 to 32,000 dwt designs.

Index-linked vessel operating lease commitments refer to leases with market-linked variable charter rates. The variable charter rates are linked to the Baltic Handysize Index or Baltic Supramax Index (as applicable), and adjusted – usually upwards – to reflect differences in the vessels' characteristics compared to Baltic indices reference vessels. Vessels we charter are typically larger and more fuel efficient than index reference vessels.

Corporate Governance

High standards of corporate governance are central to achieving sustainable value for our investors. In setting our standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the six months ended 30 June 2014, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules").

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DIRECTORS' SECURITIES TRANSACTIONS

The Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2014.

SENIOR MANAGEMENT AND STAFF'S SECURITIES TRANSACTIONS

The Company has adopted rules for senior managers and those staff who are more likely to be in possession of unpublished inside information or other relevant Group information based on the Model Code for Securities Transactions by Directors (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

No incidence of non-compliance by these senior managers and staff was noted by or reported to the Company during the six months ended 30 June 2014 except that a senior manager traded in the Company's securities during an eligible period prior to the receipt of written approval from the Company. All senior managers and staff members of the Company who are bound by the Model Code were formally reminded that the Dealing Rules stipulate that written approval must be received before such transactions can proceed.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Following the exercise of the put option right by bondholders of convertible bonds due 2016, redemption and cancellation of the bonds (having an aggregate full principal amount of US$20,400,000 together with the payment of accrued but unpaid interest thereon) was completed on 14 April 2014. The remaining outstanding aggregate principal amount of the bonds was reduced to US$209,600,000, representing 91.13% of the total principal amount of the bonds originally issued.

Save as disclosed above and other than for satisfying restricted awards granted under the Company's 2013 Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the share capital of the Company or convertible bonds of the Group during the period.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company and if they have any questions for the Board, they may send an e-mail or letter to:

Company Secretary

Pacific Basin Shipping Limited.
7th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

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INTERIM REPORT AND DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

This Interim Report is printed in English and Chinese languages, and will be available on our website on or around 19 August 2014 when it is sent to those shareholders who have elected to receive a printed copy.

The interim results and this Interim Report have been reviewed by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

As the Board has not declared an interim dividend, the register of members will not be closed for this purpose.

DIRECTORS

As at the date of this report, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead and Chanakya Kocherla, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili.

Mrs. Irene Waage Basili was appointed as an Independent Non-executive Director for a period of three years with effect from 1 May 2014. Mr. Chanakya Kocherla was redesignated as Chief Technical Officer of the Company with effect from 2 July 2014.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 June 2014, the discloseable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interests	Corporate or Family interests/ Trust & similar interests	Long/Short position	Number of underlying Shares under equity derivatives	Total Share interests	Approximate percentage of the issued share capital of the Company 30-Jun-14	31-Dec-13
David M. Turnbull [1]	1,906,000	3,662,682[2]	Long	–	5,568,682	0.29%	0.27%
Mats H. Berglund [1]	4,198,000	–	Long	–	4,198,000	0.22%	0.20%
Jan Rindbo [1]	5,719,370	–	Long	–	5,719,370	0.30%	0.27%
Andrew T. Broomhead [1]	2,448,000	2,328,068[3]	Long	–	4,776,068	0.25%	0.22%
Chanakya Kocherla [1]	2,388,667	–	Long	–	2,388,667	0.12%	0.12%
Patrick B. Paul	120,000	–	Long	–	120,000	less than 0.01%	less than 0.01%
Daniel R. Bradshaw	–	386,417[4]	Long	–	386,417	0.02%	0.02%

Notes:

1 *Restricted share awards were granted under the 2013 Share Award Scheme and the Long Term Incentive Scheme have been disclosed on page 23 of this Report.*

2 *3,662,682 shares are in the form of convertible bonds due 2016 at nominal value of US$3,350,000, held by a Trust named Bentley Trust (Malta) Limited, of which Mr. Turnbull is the founder.*

3 *2,328,068 shares are held via Paulatim Investments Limited which is jointly owned by Mr. Broomhead and his wife, of which 1,312,005 shares are in the form of convertible bonds due 2016 at nominal value of US$1,200,000 and 320,359 shares are in the form of convertible bonds due 2018 at nominal value of US$200,000.*

4 *Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, of Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 Shares via Cormorant Shipping Limited and is taken to be interested in the 33,176 Shares held by Goldeneye Shipping Limited.*

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 30 June 2014.

Saved as disclosed, at no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

2013 SHARE AWARD SCHEME ("SAS") AND 2004 LONG TERM INCENTIVE SCHEME ("LTIS")

The LTIS adopted in 2004 expired on 14 July 2014 and was replaced by the SAS adopted by the Board on 28 February 2013, which is a single share award scheme under which no share options can be granted. 400,000 remaining share options granted under the LTIS were exercised by the grantee in June 2014 and all other unvested awards granted under the LTIS shall remain valid until they fully vest in July 2015 or lapse in accordance with the rules of the LTIS.

Purpose and Eligible Participants of the SAS

The SAS enables the Company to grant share awards or unit awards ("Awards") to eligible participants, being principally executive Directors and employees, as an incentive and recognition for their contribution to the Group. Since the adoption of the SAS, the Board has not granted, and currently has no intention to grant, any Awards to Independent Non-executive Directors as they administer the scheme at their sole discretion in accordance with the rules of the SAS.

Details of the grant of long term incentives and the movements of the outstanding incentives during the six months ended 30 June 2014 under both the SAS and the LTIS on a combined basis are as follows:

(i) History and Movement of Restricted Awards Granted

'000 shares/units	Date of first award	Total awarded	Vested to date	At 30 June 2014	At 1 January 2014	Granted during the period	Vested[1]	Vested in July 2014	Vesting in July of 2015	2016	2017
Directors											
David M. Turnbull	05-Aug-08	2,060	(963)	1,444	1,097	347	–	352	300	445	347
Mats H. Berglund	01-Jun-12	3,483	(876)	3,322	2,607	715	–	876	876	855	715
Jan Rindbo	11-May-07	4,221	(2,112)	2,666	2,109	557	–	503	934	672	557
Andrew T. Broomhead	11-May-07	2,854	(1,163)	2,144	1,691	453	–	377	764	550	453
Chanakya Kocherla	11-May-07	1,866	(771)	1,095	1,095	–	–	257	428	410	0
		14,484	(5,885)	10,671	8,599	2,072	–	2,365	3,302	2,932	2,072
Senior Management		3,713	(1,935)	2,241	1,778	463	–	449	773	556	463
Other Employees				22,143	17,433	4,738	(28)	4,495	7,173	6,246	4,229
				35,055	27,810	7,273	(28)	7,309	11,248	9,734	6,764

Note:

1 28,000 shares vested upon termination of the employment contract of an employee.

The closing price of the shares of the Company immediately before the grant of 7,273,000 restricted awards on 5 May 2014 was HK$4.45.

(ii) Share Options and Share Valuation under the LTIS

Share options were granted on 14 July 2004 under the LTIS at an exercise price of HK$2.50 per share. 400,000 remaining share options of Other Employees were fully vested and exercised in June 2014. The fair value of HK$0.834 per share option is based on a report using the binomial option pricing model for the exercise period from 14 July 2005 to 13 July 2014.

Note: Key assumptions included an expected dividend yield of 8% per annum, volatility of the Company's share price of 50% per annum, a risk-free rate of interest of 4% and 4.1% per annum on the respective grant dates, that the employees will exercise their share options if the share price is 100% above the exercise price, and an expected rate of leaving service of eligible employees after the vesting date of 0.4% per annum.

Save as disclosed above, no right to subscribe for the securities of the Company or its associated corporations within the meaning of the Securities and Futures Ordinance (the "SFO"), has been granted by the Company to, nor have any rights been exercised by, any person during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2014, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 30 June 2014	31 Dec 2013
Aberdeen Asset Management Plc and its Associates (together the "Group") on behalf of accounts managed by the Group	Investment manager	Long	292,701,000	15.11%	15.87%
Michael Hagn	Interest in corporation controlled	Long	252,703,500	13.05%	13.05%
Mondrian Investment Partners Limited	Investment manager	Long	117,091,000	6.05%	5.98%

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 30 June 2014, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

Financial Statements

GROUP FINANCIAL REVIEW

US$ Million	Six months ended 30 June 2014	2013	Change
Revenue	**910.0**	766.8	+19%
Cost of services	**(908.2)**	(741.1)	-23%
Gross profit	**1.8**	25.7	-93%
Segment net (loss)/profit	**(16.1)**	25.8	-162%
Treasury	**–**	(4.3)	+100%
Discontinued operations – RoRo	**(0.5)**	(0.8)	+38%
Indirect general and administrative expenses	**(4.9)**	(7.1)	+31%
Underlying (loss)/profit	**(21.5)**	13.6	-258%
Unrealised derivative expenses	**(0.3)**	(3.5)	+91%
Towage impairment and provision	**(63.9)**	–	-100%
RoRo exchange loss	**(5.0)**	(8.3)	+40%
Expenses relating to exercising five finance lease purchase options	**–**	(6.1)	+100%
Towage exchange gain	**–**	4.6	-100%
(Loss)/profit attributable to shareholders	**(90.7)**	0.3	>-100%
EBITDA (excluding Towage impairment)	**38.9**	59.4	-35%
Net profit margin	**-10%**	0%	-10%
Return on average equity employed	**-14%**	0%	-14%

The main drivers of our results in the first six months of 2014 were as follows:

- Revenue grew 19% mainly due to increases in our Handysize and Handymax revenue days.
- Cost of services grew 23% mainly due to increases in bunkers and port disbursements and charter-hire expenses attributable to the growth of our dry bulk fleet.
- Segment and underlying results turned to net losses mainly due to higher Handymax short term inward charter costs, a weak second quarter dry bulk market and weak towage results.
- Loss attributable to shareholders was impacted by a US$63.9 million Towage impairment and provision to align vessel book values with international market values. The impairment and provision comprised:
  - a US$51.6 million non-cash vessel impairment charge;
  - a US$10.1 million non-cash impairment against our interest in joint ventures; and
  - provisions of US$2.2 million.
- EBITDA amounted to US$38.9 million (2013: US$59.4 million) contributing a positive operating cash flow and cash and deposits at the period end of US$320.2 million (31 December 2013: US$486.1 million).

Segment Net Result

US$ Million	Six months ended 30 June 2014	2013	
Pacific Basin Dry Bulk	**(6.5)**	11.3	Page 8
PB Towage	**(9.2)**	12.6	Page 13
All other segments	**(0.4)**	1.9	
Segment net (loss)/profit	**(16.1)**	25.8	

Segments

Management analyses the Group's performance in two shipping-related reporting segments:

- Pacific Basin Dry Bulk
- PB Towage

Non-segment activities mainly comprise:

- Treasury
- PB RoRo, which was reclassified as a discontinued operation following the sale of our RoRo vessels in September 2012 with forward delivery

Underlying Profit

Includes:

- Segment results
- Treasury results
- Discontinued operations
- Indirect general and administrative expenses

Excludes:

- Disposal gains and losses, and impairments
- Unrealised non-cash portion of results from derivative instruments relating to future periods

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Financial Statement Note 4
Segment Information

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Financial Statement Note 16
General and administrative expenses and other expenses

Note on +/- changes

In our reporting, positive changes represent an improvement in numbers while negative changes represent unfavourable changes in numbers.

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2014 US$'000	31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,675,993**	1,622,297
Investment properties		**2,632**	2,675
Land use rights		**2,926**	2,971
Goodwill	5	**25,256**	25,256
Interests in joint ventures		**15,060**	26,650
Investments in associates		**1,332**	1,332
Available-for-sale financial assets	6	**4,176**	4,894
Derivative assets	7	**14,008**	13,175
Trade and other receivables	8	**39,373**	65,975
Restricted bank deposits	9	**1,317**	1,269
Other non-current assets		**2,871**	5,917
		1,784,944	1,772,411
Current assets			
Inventories		**97,417**	104,006
Derivative assets	7	**1,370**	2,238
Trade and other receivables	8	**165,866**	142,374
Restricted bank deposits	9	**1,118**	1,593
Cash and deposits	9	**317,810**	483,200
		583,581	733,411
Assets of discontinued operations classified as held for sale	11(a)	**–**	31,624
		583,581	765,035
Total assets		**2,368,525**	2,537,446
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	14	**193,486**	193,237
Retained profits		**425,385**	526,582
Other reserves		**597,241**	584,475
Total equity		**1,216,112**	1,304,294

Unaudited Condensed Consolidated Balance Sheet continued

	Note	30 June 2014 US$'000	31 December 2013 US$'000
LIABILITIES			
Non-current liabilities			
Derivative liabilities	7	**13,435**	18,779
Long term borrowings	12	**756,425**	708,660
		769,860	727,439
Current liabilities			
Derivative liabilities	7	**6,144**	4,580
Trade and other payables	10	**155,748**	166,475
Current portion of long term borrowings	12	**218,311**	328,565
Taxation payable		**2,350**	1,985
Provision for onerous contracts	13	**–**	656
		382,553	502,261
Liabilities of discontinued operations classified as held for sale	11(a)	**–**	3,452
		382,553	505,713
Total liabilities		**1,152,413**	1,233,152
Net current assets		**201,028**	259,322
Total assets less current liabilities		**1,985,972**	2,031,733

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Note 4(b)
Detailed balance sheet segment information

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2014 US$'000	2013 US$'000
Continuing operations			
Revenue		909,970	766,793
Cost of services		(908,132)	(741,126)
Gross profit		1,838	25,667
General and administrative expenses	16	(4,927)	(9,495)
Vessel impairment and provision		(53,784)	–
Other income and gains		3,880	5,581
Other expenses		(7,848)	(320)
Finance income	15	6,081	8,547
Finance cost	15	(21,684)	(24,869)
Share of profits less losses/impairment of joint ventures		(8,032)	2,785
Share of profits less losses of associates		–	2,226
(Loss)/profit before taxation	16	(84,476)	10,122
Taxation	17	(703)	(710)
(Loss)/profit for the period		(85,179)	9,412
Discontinued operations			
Loss for the period	11(b)	(5,484)	(9,147)
(Loss)/profit attributable to shareholders		(90,663)	265
Dividends	18	–	–
Earnings per share for (loss)/profit attributable to shareholders (in US cents)			
Basic earnings per share	19(a)		
From continuing operations		(4.47)	0.48
From discontinued operations		(0.29)	(0.47)
From (loss)/profit attributable to shareholders		(4.76)	0.01
Diluted earnings per share	19(b)		
From continuing operations		(4.47)	0.48
From discontinued operations		(0.29)	(0.47)
From (loss)/profit attributable to shareholders		(4.76)	0.01

Unaudited Condensed Consolidated Statement of Comprehensive Income

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Note 4(a) Detailed income statement segment information

	Six months ended 30 June 2014 US$'000	2013 US$'000
(Loss)/profit attributable to shareholders	(90,663)	265
Other comprehensive income – items that may be reclassified to profit or loss:		
Currency translation differences	9,584	(25,177)
Release of exchange loss from reserve upon disposal of property, plant and equipment	5,022	8,331
Cash flow hedges:		
– transferred to finance costs in income statement	4,303	2,982
– fair value losses	(1,471)	(3,147)
Fair value (losses)/gains on available-for-sale financial assets	(718)	1,525
Release of exchange gain from reserve upon repayment of shareholder loans	–	(4,559)
Total comprehensive income attributable to shareholders	(73,943)	(19,780)

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2014 US$'000	2013 US$'000
Net cash from operating activities	44,366	34,460
Net cash used in investing activities	(133,253)	(72,709)
Net cash used in financing activities	(102,960)	(116,521)
Net decrease in cash and cash equivalents	(191,847)	(154,770)
Cash and cash equivalents at 1 January	408,200	390,502
Exchange gains/(losses) on cash and cash equivalents	360	(2,846)
Cash and cash equivalents at 30 June	216,713	232,886
Term deposits at 30 June	101,097	160,200
Cash and deposits at 30 June	317,810	393,086

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders									
US$'000	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Investment valuation reserve	Exchange reserve	Retained profits	Total
Balance at 1 January 2014	193,237	602,050	(56,606)	51,620	(5,728)	2,640	1,870	(11,371)	526,582	1,304,294
Total comprehensive income attributable to shareholders	–	–	–	–	–	2,832	(718)	14,606	(90,663)	(73,943)
Dividends paid	–	–	–	–	–	–	–	–	(12,385)	(12,385)
Shares purchased by trustee of the SAS *(Note 14)*	(3,483)	–	–	–	–	–	–	–	–	(3,483)
Share-based compensation	–	–	–	–	2,515	–	–	–	–	2,515
Derecognition of equity component upon exercise of CB put options	–	–	–	(2,865)	–	–	–	–	1,851	(1,014)
Shares issued upon exercise of share options *(Note 14)*	40	126	–	–	(38)	–	–	–	–	128
Restricted share awards granted to employees *(Note 14)*	3,692	–	–	–	(3,692)	–	–	–	–	–
Balance at 30 June 2014	193,486	602,176	(56,606)	48,755	(6,943)	5,472	1,152	3,235	425,385	1,216,112
Balance at 1 January 2013	193,605	599,846	(56,606)	51,620	(3,107)	(9,055)	1,705	16,557	537,456	1,332,021
Total comprehensive income attributable to shareholders	–	–	–	–	–	(165)	1,525	(21,405)	265	(19,780)
Dividends paid	–	–	–	–	–	–	–	–	(12,397)	(12,397)
Shares purchased by trustee of the SAS *(Note 14)*	(6,514)	–	–	–	–	–	–	–	–	(6,514)
Share-based compensation	–	–	–	–	2,853	–	–	–	–	2,853
Restricted share awards granted or lapsed during the period *(Note 14)*	6,432	–	–	–	(6,432)	–	–	–	–	–
Balance at 30 June 2013	193,523	599,846	(56,606)	51,620	(6,686)	(9,220)	3,230	(4,848)	525,324	1,296,183

Notes to the Unaudited Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services internationally, and towage services to the harbour and offshore sectors in Australia and New Zealand. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

The Company was incorporated in Bermuda on 10 March 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 31 July 2014.

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Dry Bulk and Towage Market Review

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2013.

The following new standards and amendments to standards are mandatory for the accounting period beginning 1 January 2014 and are relevant to the Group's operation.

HKAS 32 (Amendments)	Financial instruments: Presentation
HKAS 36	Impairment of assets

The adoption of these new standards and amendments to standards has not resulted in any substantial change to the Group's accounting policies, although there are additional disclosures in respect of these new standards.

4 SEGMENT INFORMATION

The Group manages its businesses by division. Reports are presented to the heads of divisions as well as the Board for the purpose of making strategic decisions, allocation of resources and assessing performance. The reportable operating segments in this note are consistent with how information is presented to the heads of divisions and the Board.

The Group's revenue is primarily derived from the provision of dry bulk shipping services internationally, and towage services to the harbour and offshore sectors in Australia and New Zealand.

"Treasury" manages the Group's cash and borrowings.

Geographical segment information is not presented as the Directors consider that the nature of the provision of shipping services, which are carried out internationally, precludes a meaningful allocation of operating profit to specific geographical segments.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

4 SEGMENT INFORMATION (continued)

(a) Income statement segment information

For the period ended 30 June 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclass-ification	Per Financial Statements
					Treasury	PB RoRo	Others			
Continuing operations										
Revenue	865,513	43,947	183	909,643	–	–	(1,700)	907,943	2,027	909,970
Freight and charter-hire	865,513[1]	42,508	–	908,021	–	–	(1,700)[1]	906,321	2,027[1]	908,348
Maritime management services	–	1,439	183	1,622	–	–	–	1,622	–	1,622
Bunker & port disbursements	(453,252)[2]	(3,800)	–	(457,052)	–	–	601[2]	(456,451)	456,451[2]	–
Time charter equivalent earnings	412,261									
Cost of services	(402,720)	(48,961)	–	(451,681)	–	–	–	(451,681)	(456,451)	(908,132)
Bunker & port disbursements	–	–	–	–	–	–	–	–	(456,451)[2]	(456,451)
Charter-hire expenses for vessels	(273,028)	(6,395)	–	(279,423)	–	–	–	(279,423)	–	(279,423)
Vessel operating costs	(61,083)	(27,816)	–	(88,899)	–	–	–	(88,899)	–	(88,899)
Depreciation of vessels	(43,890)	(5,710)	–	(49,600)	–	–	–	(49,600)	–	(49,600)
Direct overheads	(24,719)	(9,040)	–	(33,759)	–	–	–	(33,759)	–	(33,759)
Gross profit	9,541	(8,814)	183	910	–	–	(1,099)	(189)	2,027	1,838
General and administrative expenses	–	–	–	–	–	–	(4,927)[3]	(4,927)	–	(4,927)
Vessel impairment and provision	–	–	–	–	–	–	(63,859)[4]	(63,859)	10,075[4]	(53,784)
Other income and expenses	–	(1,941)	–	(1,941)	–	–	–	(1,941)	(2,027)[1]	(3,968)
Finance costs, net	(16,082)	(273)	–	(16,355)	–[7]	–	752[5]	(15,603)	–	(15,603)
Share of profits less losses/impairment of joint ventures	–	2,043	–	2,043	–	–	–	2,043	(10,075)[4]	(8,032)
Share of profits less losses of associates	–	–	–	–	–	–	–	–	–	–
(Loss)/profit before taxation	(6,541)	(8,985)	183	(15,343)	–	–	(69,133)	(84,476)	–	(84,476)
Taxation	–	(153)	(550)	(703)	–	–	–	(703)	–	(703)
Loss for the period	(6,541)	(9,138)	(367)	(16,046)	–	–	(69,133)	(85,179)	–	(85,179)
Discontinued operations										
Loss for the period	–	–	–	–	–	(462)	(5,022)[6]	(5,484)	–	(5,484)
Loss attributable to shareholders	(6,541)	(9,138)	(367)	(16,046)	–	(462)	(74,155)	(90,663)	–	(90,663)

(1) *Net unrealised forward freight agreement benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, realised and unrealised benefits and expenses are reclassified to other income and other expenses. The related derivative assets and liabilities are under "Unallocated Others".*

(2) *Net unrealised bunker swap contract benefits and expenses are under "Unallocated Others". Net realised benefits and expenses are under "Pacific Basin Dry Bulk". For the presentation of the financial statements, bunkers & port disbursements are reclassified to cost of services. The related derivative assets and liabilities are under "Unallocated Others".*

(3) *"Unallocated Others" represents mainly corporate overheads.*

(4) *"Unallocated Others" represents the non-cash impairment charges for i) PB Towage vessels of US$51.6 million, ii) PB Towage interest in its joint ventures of US$10.1 million and iii) other provisions of US$2.2 million. This impairment is not allocated to the PB Towage segment results as this does not relate to the underlying operations of the segment. For the presentation of the financial statements, the impairment of PB Towage interest in joint ventures is reclassified to share of profits less losses/impairment of joint ventures. The related vessels and interest in joint ventures are under "PB Towage".*

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More detail on Pacific Basin Dry Bulk and PB Towage KPIs

For the period ended 30 June 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated			Total	Reclass-ification	Per Financial Statements
					Treasury	PB RoRo	Others			
Continuing operations										
Revenue	704,099	62,239	261	766,599	–	–	150	766,749	44	766,793
Freight and charter-hire	704,099 [1]	57,795	–	761,894	–	–	150 [1]	762,044	44 [1]	762,088
Maritime management services	–	4,444	261	4,705	–	–	–	4,705	–	4,705
Bunkers & port disbursements	(382,348) [2]	(1,478)	–	(383,826)	–	–	(5,032) [2]	(388,858)	388,858 [2]	–
Time charter equivalent earnings	321,751									
Cost of services	(301,190)	(51,078)	–	(352,268)	–	–	–	(352,268)	(388,858)	(741,126)
Bunkers & port disbursements	–	–	–	–	–	–	–	–	(388,858) [2]	(388,858)
Charter-hire expenses for vessels	(211,389)	(4,443)	–	(215,832)	–	–	–	(215,832)	–	(215,832)
Vessel operating costs	(41,273)	(30,274)	–	(71,547)	–	–	–	(71,547)	–	(71,547)
Depreciation of vessels	(30,186)	(6,667)	–	(36,853)	–	–	–	(36,853)	–	(36,853)
Direct overheads	(18,342)	(9,694)	–	(28,036)	–	–	–	(28,036)	–	(28,036)
Gross profit	20,561	9,683	261	30,505	–	–	(4,882)	25,623	44	25,667
General and administrative expenses	–	–	–	–	(2,406)	–	(7,089) [3]	(9,495)	–	(9,495)
Other income and expenses, net	–	688	–	688	58	–	4,559	5,305	(44) [1]	5,261
Finance costs, net	(9,309)	(350)	–	(9,659)	(1,988)	–	(4,675) [5]	(16,322)	–	(16,322)
Share of profits less losses of joint ventures	–	2,785	–	2,785	–	–	–	2,785	–	2,785
Share of profits less losses of associates	–	–	2,226	2,226	–	–	–	2,226	–	2,226
Profit/(loss) before taxation	11,252	12,806	2,487	26,545	(4,336)	–	(12,087)	10,122	–	10,122
Taxation	–	(168)	(542)	(710)	–	–	–	(710)	–	(710)
Profit/(loss) for the period	11,252	12,638	1,945	25,835	(4,336)	–	(12,087)	9,412	–	9,412
Discontinued operations										
Loss for the period	–	–	–	–	–	(816)	(8,331) [6]	(9,147)	–	(9,147)
Profit/(loss) attributable to shareholders	11,252	12,638	1,945	25,835	(4,336)	(816)	(20,418)	265	–	265

(5) "Unallocated Others" represents net unrealised interest rate swap contract benefits of US$0.8 million (2013: US$1.4 million). Comparative figures also includes the expenses relating to the repayment of the finance lease liabilities upon the exercise of purchase options under finance leases of five vessels amounting to US$6.1 million.

(6) "Others" in 2014 represents the release from foreign exchange reserve amounting to US$5.0 million (2013: US$8.3 million) in relation to one (2013: three) RoRo vessel whose bareboat charter to the purchaser commenced during the period.

(7) For 2014 onwards, all financing and associated costs for existing vessel commitments and future vessel acquisitions, net of interest income, have been allocated to the appropriate business segment. This results in the Treasury segment having a nil net finance cost.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

4 SEGMENT INFORMATION (continued)

(b) Balance sheet segment information

At 30 June 2014 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated: Treasury	Unallocated: PB RoRo	Unallocated: Others	Per Financial Statements
Total assets	**1,750,373**	**171,900** [4]	**10,169**	**1,932,442**	**420,705**	**–**	**15,378** [1,2]	**2,368,525**
Including:								
Property, plant and equipment	**1,544,956**	**127,433** [4]	**3,604**	**1,675,993**	**–**	**–**	**–**	**1,675,993**
– Include additions to PP&E	**146,618**	**1,221**	**1,279**	**149,118**	**–**	**–**	**–**	**149,118**
Interests in joint ventures	**–**	**15,060** [4]	**–**	**15,060**	**–**	**–**	**–**	**15,060**
Investment in associates	**–**	**–**	**1,332**	**1,332**	**–**	**–**	**–**	**1,332**
Total cash and deposits	**–**	**9,367**	**104**	**9,471**	**310,774**	**–**	**–**	**320,245**
Total liabilities	**1,087,361**	**35,091**	**1,091**	**1,123,543**	**15,017**	**–**	**13,853** [1,2]	**1,152,413**
Including:								
Long term borrowings	**953,098**	**21,638**	**–**	**974,736**	**–**	**–**	**–**	**974,736**

Pacific Basin Dry Bulk total assets:
- Vessels delivered & under construction
- Goodwill

All Other Segments total assets:
- Properties

Treasury total assets:
- Group cash unallocated
- RoRo receivables

Others total assets:
- Derivative assets

PB Towage interests in joint ventures:
- OMSA, Australia
- Bunker tanker, N.Z.

All Other Segments investment in associates:
- Gold River Marine Terminal, Canada

Pacific Basin Dry Bulk long term borrowings:
- Bank loans
- Finance lease liabilities
- Convertible bonds

PB Towage long term borrowings:
- Bank loans

Others total liabilities:
- Derivative liabilities

At 31 December 2013 US$'000	Pacific Basin Dry Bulk	PB Towage	All Other Segments	Total Segments	Unallocated: Treasury	Unallocated: PB RoRo	Unallocated: Others	Per Financial Statements
Total assets	1,654,865	243,693	12,542	1,911,100	579,309	31,624	15,413 [1,2]	2,537,446
Including:								
Property, plant and equipment	1,436,312	183,035	2,950	1,622,297	–	–	–	1,622,297
– Include additions to PP&E	442,147	14,350	1,863	458,360	–	–	–	458,360
Interests in joint ventures	–	26,650	–	26,650	–	–	–	26,650
– Include additions to interest in a joint venture	–	17,999	–	17,999	–	–	–	17,999
Investments in associates	–	–	1,332	1,332	–	–	–	1,332
Total cash and deposits	–	15,361	120	15,481	470,581	–	–	486,062
Total liabilities	1,160,396	39,788	882	1,201,066	12,065	3,452	16,569 [1,2]	1,233,152
Including:								
Long term borrowings	1,015,012	22,213	–	1,037,225	–	–	–	1,037,225

5 PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND GOODWILL

US$'000	Property, plant and equipment 2014	2013	Goodwill 2014 & 2013
Net book amounts			
At 1 January	**1,622,297**	1,270,202	**25,256**
Additions	**149,118**	219,455	**–**
Transfer from other non-current assets	**5,917**	5,322	**–**
Transfer to finance lease receivables	**(7,641)**	–	**–**
Disposals	**(20)**	(2,137)	**–**
Depreciation	**(50,504)**	(37,700)	**–**
Impairment	**(51,581)**	–	**–**
Exchange differences	**8,407**	(19,622)	**–**
At 30 June	**1,675,993**	1,435,520	**25,256**

The impairment charge of US$51.6 million in 2014 relates to the vessels under PB Towage. The vessels under PB Towage are considered as a single cash-generating unit (CGU) as they are operated on a portfolio basis and are interchangeable. The recoverable amount of the CGU of US$125.3 million which is the fair value less transaction costs, is estimated by independent valuer. The value is determined by assuming a willing buyer and willing seller transacting under general market conditions and is considered to be within Level 3 of HKFRS 13 fair value levels.

Fair value levels

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	Valuation method	30 June 2014	31 December 2013
Listed equity securities *(Note a)*	Level 1	**3,647**	4,365
Unlisted equity securities *(Note b)*	Level 3	**529**	529
		4,176	4,894

(a) Listed equity securities represent the Group's investment in Greka Drilling Limited, a company listed on the London AIM market.

(b) Unlisted equity securities represent the Group's investment in an unlisted renewable energy equity fund.

Available-for-sale financial assets have been analysed by valuation method. Please refer to Note 5 for the definitions of different levels of fair value.

There is no movement in Level 3 financial instruments, unlisted equity securities, for the six months ended 30 June 2014.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES

The Group is exposed to fluctuations in freight rates, bunker prices, interest rates and currency exchange rates. The Group manages these exposures by way of:

- forward freight agreements;
- bunker swap contracts;
- interest rate swap contracts; and
- forward foreign exchange contracts.

Amongst the derivative assets and liabilities held by the Group, the fair values of forward foreign exchange contracts, interest rate swap contracts and bunker swap contracts are quoted by dealers at the balance sheet date. The forward freight agreements are traded through a clearing house and its fair value is determined using forward freight rates at the balance sheet date. The rest of the derivative assets and liabilities are over-the-counter derivatives which are not traded in an active market.

Derivative assets and liabilities have been analysed by valuation method. Please refer to Note 5 for the definitions of different levels of fair value.

US$'000	30 June 2014 Level 1	30 June 2014 Level 2	30 June 2014 Total	31 December 2013 Level 1	31 December 2013 Level 2	31 December 2013 Total
Derivative assets						
Cash flow hedges						
Forward foreign exchange contracts *(Note d)*	**–**	**13,700**	**13,700**	–	12,638	12,638
Interest rate swap contracts *(Note a(i))*	**–**	**–**	**–**	–	177	177
Derivative assets do not qualify for hedge accounting						
Bunker swap contracts *(Note b)*	**–**	**1,480**	**1,480**	–	1,386	1,386
Forward freight agreements *(Note c)*	**198**	**–**	**198**	1,212	–	1,212
Total	**198**	**15,180**	**15,378**	1,212	14,201	15,413
Less: non-current portion of						
Forward foreign exchange contracts *(Note d)*	**–**	**(13,700)**	**(13,700)**	–	(12,638)	(12,638)
Bunker swap contracts *(Note b)*	**–**	**(308)**	**(308)**	–	(360)	(360)
Interest rate swap contracts *(Note a(i))*	**–**	**–**	**–**	–	(177)	(177)
Non-current portion	**–**	**(14,008)**	**(14,008)**	–	(13,175)	(13,175)
Current portion	**198**	**1,172**	**1,370**	1,212	1,026	2,238
Derivative liabilities						
Cash flow hedges						
Interest rate swap contracts *(Note a(i))*	**–**	**6,530**	**6,530**	–	6,508	6,508
Forward foreign exchange contracts *(Note d)*	**–**	**5,726**	**5,726**	–	8,954	8,954
Derivative liabilities do not qualify for hedge accounting						
Interest rate swap contracts *(Note a(ii))*	**–**	**4,204**	**4,204**	–	4,956	4,956
Forward freight agreements *(Note c)*	**2,351**	**–**	**2,351**	1,666	–	1,666
Bunker swap contracts *(Note b)*	**–**	**768**	**768**	–	1,275	1,275
Total	**2,351**	**17,228**	**19,579**	1,666	21,693	23,359
Less: non-current portion of						
Interest rate swap contracts *(Note a(i))*	**–**	**(4,950)**	**(4,950)**	–	(6,501)	(6,501)
Interest rate swap contracts *(Note a(ii))*	**–**	**(4,204)**	**(4,204)**	–	(4,955)	(4,955)
Forward foreign exchange contracts *(Note d)*	**–**	**(3,899)**	**(3,899)**	–	(6,772)	(6,772)
Bunker swap contracts *(Note b)*	**–**	**(382)**	**(382)**	–	(551)	(551)
Non-current portion	**–**	**(13,435)**	**(13,435)**	–	(18,779)	(18,779)
Current portion	**2,351**	**3,793**	**6,144**	1,666	2,914	4,580

(a) Interest rate swap contracts

The Group has bank borrowings exposed to floating interest rates. In order to hedge against the fluctuations in interest rates related to the bank borrowings, the Group entered into interest rate swap contracts with banks to manage exposure to 3-month and 6-month floating rate LIBOR, and 3-month floating rate Bank Bill Swap Reference Rate ("BBSW").

(i) Interest rate swap contracts that qualify for hedge accounting as cash flow hedges

Effective date	Notional amount	Swap details	Expiry
For 2014 & 2013			
30 December 2013 & 21 January 2014	US$178 million on amortising basis	3-month floating rate LIBOR swapped to a fixed rate of approx. 1.9% to 2.1% per annum	Contracts expire through December 2021
2 January 2007	US$20 million	6-month floating rate LIBOR swapped to a fixed rate of approx. 5.6% per annum	Contracts expire through December 2016
31 March 2009	US$100 million	3-month floating rate LIBOR swapped to fixed rates of approx. 2.9% to 3.0% per annum	Contracts expire through March 2016
For 2013			
28 March 2013 & 30 April 2013	A$5.4 million	3-month floating rate BBSW swapped to a fixed rate of approx. 3.2% per annum	Contracts expired through April 2014

(ii) Interest rate swap contracts that do not qualify for hedge accounting

Starting on 2 January 2007, a notional amount of US$40 million with the 6-month floating rate LIBOR swapped to a fixed rate of approximately 5.0% per annum so long as the 6-month floating rate LIBOR remains below the agreed cap strike level of 6.0%. This fixed rate switches to a discounted floating rate (discount is approximately 1.0%) for the 6-month fixing period when the prevailing 6-month floating rate LIBOR is above 6.0% and reverts back to the fixed rate should the 6-month floating rate LIBOR subsequently drop below 6.0%. This contract expires in January 2017.

(b) Bunker swap contracts

Bunker swap contracts that do not qualify for hedge accounting

The Group enters into bunker swap contracts to manage the fluctuations in bunker prices in connection with the Group's long term cargo contract commitments.

At 30 June 2014, the Group had outstanding bunker swap contracts to buy approximately 156,500 (31 December 2013: 171,600) metric tonnes of bunkers. These contracts expire through December 2021 (31 December 2013: December 2018).

(c) Forward freight agreements

Forward freight agreements that do not qualify for hedge accounting

The Group enters into forward freight agreements as a method of managing its exposure to both its physical tonnage and cargo with regard to its Handysize and Handymax vessels.

At 30 June 2014, the Group had outstanding forward freight agreements as follows:

Contract Type	Index[1]	Quantity (days)	Contract Daily Price (US$)	Expiry through
For 2014				
Buy	BSI	855	9,900 to 14,500	March 2015
Sell	BSI	285	10,300 to 14,200	December 2014
Buy	BHSI	480	8,750 to 10,500	December 2014
For 2013				
Buy	BSI	420	9,900 to 12,300	September 2014
Sell	BSI	810	8,500 to 12,750	December 2014
Buy	BHSI	360	8,750	December 2014
Sell	BHSI	120	8,500 to 8,550	March 2014

(1) "BSI" represents "Baltic Supramax Index" and "BHSI" represents "Baltic Handysize Index"

(d) Forward foreign exchange contracts

Forward foreign exchange contracts that qualify for hedge accounting as cash flow hedges

The Group has long term bank borrowings denominated in Danish Kroner ("DKK") with maturity in August 2023. To hedge against the potential fluctuations in foreign exchange, the Group entered into forward foreign exchange contracts with terms that match the repayment schedules of such long term bank borrowings. These forward foreign exchange contracts qualify for hedge accounting as cash flow hedges.

At 30 June 2014, the Group had outstanding forward foreign exchange contracts with banks to buy approximately DKK 1,211.6 million (31 December 2013: DKK 1,290.3 million) and simultaneously sell approximately US$218.6 million (31 December 2013: US$233.0 million), which expire through August 2023.

At 30 June 2014, the Group had outstanding forward foreign exchange contracts with banks to buy approximately US$96.8 million (31 December 2013: US$129.1 million) and simultaneously sell approximately EUR75.0 million (31 December 2013: EUR 100.0 million) for the sale proceeds of three (31 December 2013: four) RoRo vessels that are denominated in Euros. These contracts expire through December 2015.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

7 DERIVATIVE ASSETS AND LIABILITIES (continued)

(e) Analysis of derivative income and expense

During the period ended 30 June 2014, the Group recognised net derivative expenses of US$5.0 million, as follows:

US$ Million	Realised	Unrealised	Six months ended 30 June 2014	2013
Income				
Forward freight agreements	1.4	1.8	3.2	0.2
Bunker swap contracts	0.8	1.2	2.0	2.3
Interest rate swap contracts	–	0.8	0.8	1.4
Forward foreign exchange contracts	–	–	–	0.5
	2.2	3.8	6.0	4.4
Expenses				
Forward freight agreements	(1.7)	(3.5)	(5.2)	(0.3)
Bunker swap contracts	(0.9)	(0.6)	(1.5)	(6.8)
Interest rate swap contracts	(4.3)	–	(4.3)	(2.9)
	(6.9)	(4.1)	(11.0)	(10.0)

Presentation in the Segment Information:	Net	Realised	Unrealised	2014	2013	Presentation in the Financial Statements:
Revenue	Forward freight agreements	(0.3)	(1.7)	(2.0)	(0.1)	*Revenue* *Bunkers & port disbursements*
Bunkers & port disbursements	Bunker swap contracts	(0.1)	0.6	0.5	(4.5)	*Cost of services*
Cost of services *Other income/Other expenses*						*Other income/Other expenses*
Finance costs	Interest rate swap contracts	(4.3)	0.8	(3.5)	(1.5)	*Finance costs*
General and administration	Forward foreign exchange contracts	–	–	–	0.5	*General and administration*
Profit for the period		(4.7)	(0.3)	(5.0)	(5.6)	*Profit for the period*

Realised:
- *Cash settlement of contracts completed in the period*
- *Included in segment results*

Unrealised:
- *Contracts to be settled in future periods*
- *Accounting reversal of earlier period contracts now completed*
- *Not part of segment results*

The application of HKAS 39 "Financial Instruments: Recognition and Measurement" has the effect of shifting to this period the estimated results of these derivative contracts that expire in future periods. On 30 June 2014, this created a net unrealised non-cash expense of US$0.3 million (2013: US$3.0 million). The cash flows of these contracts will occur in future reporting periods.

8 TRADE AND OTHER RECEIVABLES

US$'000	30 June 2014	31 December 2013
Non-current receivables		
Other receivables from disposal of RoRos *(Note a)*	32,970	65,975
Finance lease receivables – gross	9,068	–
Less: unearned finance income	(2,665)	–
Finance lease receivables – net *(Note c)*	6,403	–
Total	39,373	65,975
Current receivables		
Other receivables from disposal of RoRos *(Note a)*	65,787	34,932
Trade receivables – gross	46,479	46,949
Less: provision for impairment	(1,649)	(2,286)
Trade receivables – net *(Note b)*	44,830	44,663
Other receivables	36,467	45,220
Prepayments	17,896	16,939
Finance lease receivables – gross	2,034	–
Less: unearned finance income	(1,152)	–
Finance lease receivables – net *(Note c)*	882	–
Amounts due from joint ventures	4	620
Total	165,866	142,374

(a) Other receivables from disposal of RoRos

The current and non-current balances represent the net sale proceeds for the three (31 December 2013: three) RoRo vessels that have commenced their bareboat charters to the purchaser. The non-current element of the other receivable will have been settled by December 2015. These balances represent the fair value based on their cash flows discounted at a borrowing rate of 6%. The discount rate represents the Euro borrowing rate at inception including the appropriate credit spread (see also Note 11).

(b) Trade receivables

At 30 June 2014, the ageing of net trade receivables based on invoice date is as follows:

US$'000	30 June 2014	31 December 2013
≤ 30 days	32,341	27,500
31-60 days	5,099	6,029
61-90 days	3,057	3,888
> 90 days	4,333	7,246
	44,830	44,663

Trade receivables consist principally of voyage-related trade receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with any balance paid after completion of discharge and the finalisation of port disbursements, demurrage claims or other voyage-related charges. The Group will not normally grant any credit terms to its customers and trade receivables at the balance sheet date are all past due.

(c) Finance lease receivables

The receipts of the Group's finance lease receivables are as follows:

US$'000	30 June 2014
Within one year	882
In the second year	1,036
In the third to fifth year	5,367
	7,285

9 CASH AND DEPOSITS

US$'000	30 June 2014	31 December 2013
Cash at bank and on hand	69,839	90,637
Bank deposits	250,406	395,425
Total cash and deposits	320,245	486,062
Cash and cash equivalents	216,713	408,200
Term deposits	101,097	75,000
Cash and deposits	317,810	483,200
Restricted bank deposits included in non-current assets (Note)	1,317	1,269
Restricted bank deposits included in current assets (Note)	1,118	1,593
Total cash and deposits	320,245	486,062

Note: The balances were held as securities with banks in relation to certain performance guarantees.

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Funding

Notes to the Unaudited Condensed Consolidated Financial Statements continued

10 TRADE AND OTHER PAYABLES

US$'000	30 June 2014	31 December 2013
Trade payables	63,283	76,094
Accruals and other payables	58,997	55,839
Receipts in advance	33,468	34,542
	155,748	166,475

At 30 June 2014, the ageing of net trade payables based on due date is as follows:

US$'000	30 June 2014	31 December 2013
≤ 30 days	58,168	70,982
31-60 days	553	1,072
61-90 days	51	157
> 90 days	4,511	3,883
	63,283	76,094

11 ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE

In September 2012, the Group entered into an agreement to sell six RoRo vessels. The assets and liabilities related to the RoRo business were presented as "held for sale". In October 2012, two RoRo vessels commenced their bareboat charters and in February 2013, three RoRo vessels commenced their bareboat charters. The disposal transaction was fully completed when the remaining one RoRo vessel commenced its bareboat charter in April 2014.

(a) Assets and liabilities of discontinued operations

US$'000	30 June 2014	31 December 2013
Assets held for sale *(Note)*	–	31,166
Inventory	–	31
Other current assets	–	427
Assets of discontinued operations classified as held for sale	–	31,624
Trade and other payable	–	(3,446)
Other current liabilities	–	(6)
Liabilities of discontinued operations classified as held for sale	–	(3,452)
Net assets	–	28,172

Note: 2013 figures related to one RoRo vessel which commenced its bareboat charter to the purchaser during the period to 30 June 2014.

(b) Analysis of the result of the discontinued operations

US$'000	Six months ended 30 June 2014	2013
Operating results		
Revenue	1,624	3,771
Cost of services	(1,829)	(4,406)
Gross profit	(205)	(635)
Finance costs, net	–	–
Share of profit less losses of joint ventures and associates	–	2
Other expenses	(255)	(177)
Tax	(2)	(6)
	(462)	(816)
Exchange loss	(5,022)	(8,331)
	(5,484)	(9,147)

(c) Cumulative expense recognised in other comprehensive income relating to discontinued operations

US$'000	Six months ended 30 June 2014	2013
Release of exchange reserve	(5,022)	(8,331)

(d) The net cash flows attributable to discontinued operations

US$'000	Six months ended 30 June 2014	2013
Operating cash flows	(431)	(1,254)

12 LONG TERM BORROWINGS

US$'000	30 June 2014	31 December 2013
Non-current		
Finance lease liabilities *(Note a)*	15,827	18,289
Secured bank loans *(Note b)*	431,613	582,968
Convertible bonds *(Note c)*	308,985	107,403
	756,425	708,660
Current		
Finance lease liabilities *(Note a)*	4,838	4,680
Secured bank loans *(Note b)*	213,473	107,438
Convertible bonds *(Note c)*	–	216,447
	218,311	328,565
Total long term borrowings	974,736	1,037,225

(a) Finance lease liabilities

At 30 June 2014 and 31 December 2013, the Group leased three vessels under finance leases. Under the terms of the leases, the Group has options to purchase these vessels at any time throughout the charter periods. Leases liabilities are effectively secured as the right to the leased vessels revert to the lessors in event of default.

The maturities of the Group's finance lease liabilities are as follows:

US$'000	30 June 2014	31 December 2013
Within one year	4,838	4,680
In the second year	15,827	18,289
	20,665	22,969

(b) Repayment of the Group's bank loans

US$'000	30 June 2014	31 December 2013
Within one year	213,473	107,438
In the second year	67,891	165,475
In the third to fifth year	155,011	182,819
After the fifth year	208,710	234,674
	645,085	690,406

The bank loans as at 30 June 2014 are secured, inter alia, by the following:

- Mortgages over certain owned vessels with net book values of US$1,199,175,000 (31 December 2013: US$1,225,336,000);
- Assignment of earnings and insurances compensation in respect of the vessels; and
- Fixed and floating charges over all of the assets of certain subsidiaries of the Group's towage business.

(c) Convertible bonds

US$'000	30 June 2014 Face value	30 June 2014 Liability component	31 December 2013 Face value	31 December 2013 Liability component
1.75% coupon due 2016	209,600	200,015	230,000	216,447
1.875% coupon due 2018	123,800	108,970	123,800	107,403
Total	333,400	308,985	353,800	323,850

Notes to the Unaudited Condensed Consolidated Financial Statements continued

12 LONG TERM BORROWINGS (continued)

(c) Convertible bonds (continued)

(i) Convertible bonds – 1.75% coupon due 2016

Issue size	US$209.6 million (US$230.0 million originally)
Issue date	12 April 2010
Maturity date	12 April 2016 (6 years from issue)
Coupon – cash cost	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October
Effective interest rate	4.70% charged to income statement
Redemption Price	100%
Conversion Price into shares	HK$7.10 (with effect from 23 April 2014) *(Note)*
Conversion at bondholders' options	(i) Until 11 January 2014, conversion can only take place if the closing price of the Company's shares is at least at a 20% premium to the conversion price then in effect for five consecutive trading days. (ii) After 11 January 2014, conversion can take place at any time at no premium.
Bondholder put date and price	On 12 April 2014 (4 years from issue), each bondholder had the right to require the Group to redeem all or some of the bonds at 100% of the principal amount. Following the exercise of such right by bondholders, a total of US$20.4 million was redeemed and cancelled on 14 April 2014. The remaining outstanding principal amount was reduced to US$209.6 million and there is no further bondholder put right.
Issuer call date and price	After 12 April 2014, the Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount if the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

(ii) Convertible bonds – 1.875% coupon due 2018

Issue size	US$123.8 million
Issue date	22 October 2012
Maturity date	22 October 2018 (6 years from issue)
Coupon – cash cost	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October
Effective interest rate	5.17% charged to income statement
Redemption Price	100%
Conversion Price into shares	HK$4.84 (with effect from 23 April 2014) *(Note)*
Conversion at bondholders' options	Bondholders may exercise the conversion right at any time on or after 2 December 2012.
Bondholder put date and price	On 22 October 2016 (4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds at 100% of the principal amount. As this is an unconditional put option, the convertible bonds are required to assume to fall due on the put date according to the accounting standard.
Issuer call date and price	After 22 October 2016, the Group may redeem the bonds in whole at a redemption price equal to 100% of their principal amount if the closing price of the Company's shares is at least at a 30% premium to the conversion price then in effect for thirty consecutive trading days.

Note: The conversion price is subject to an adjustment arising from the cash dividends paid by the Company according to a pre-determined adjustment factor. Such adjustment becomes effective on the first date on which the Shares are traded ex-dividend.

13. PROVISION FOR ONEROUS CONTRACTS

US$'000	2014	2013
At 1 January	656	–
Utilised during the period	(656)	–
At 30 June	–	–

14. SHARE CAPITAL

	2014		2013	
	Number of shares	US$'000	Number of shares	US$'000
Authorised	3,600,000,000	360,000	3,600,000,000	360,000
Issued and fully paid				
At 1 January	1,934,457,119	193,237	1,936,049,119	193,605
Shares purchased by trustee of the SAS *(Note a)*	(5,486,000)	(3,483)	(10,692,000)	(6,514)
Shares granted to employees in the form of restricted share awards *(Note a)*	7,273,000	3,692	11,392,000	6,584
Shares transferred back to trustee upon lapse of restricted share awards *(Note a)*	–	–	(1,515,000)	(152)
Shares issued upon exercise of share options *(Note b)*	400,000	40	–	–
At 30 June	1,936,644,119	193,486	1,935,234,119	193,523

The issued share capital of the Company as at 30 June 2014 was 1,936,977,119 shares (30 June 2013: 1,936,577,119 shares). The difference from the number of shares in the table above of 333,000 (30 June 2013: 1,343,000) represent shares held by the trustee in relation to restricted share awards, amounting to US$211,400 (30 June 2013: US$134,300) as a debit to share capital.

(a) Restricted share awards

Restricted share awards under the Company's Long Term Incentive Scheme ("LTIS") and 2013 Share Award Scheme ("SAS") adopted on 28 February 2013 were granted to Executive Directors, senior management and certain employees. The LTIS and SAS under HKFRS are regarded as special purpose entities of the Company.

On the grant of the restricted share awards, the relevant number of shares is legally transferred or issued to the trustee who holds the shares for the benefit of the grantees. A grantee shall not be entitled to vote, to receive dividends (except where the Board grants dividend rights to the grantee at the Board's discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares lapse or are forfeited, they will be held by the trustee and can be utilised for future awards. Any dividends paid to the grantees in respect of those shares granted to them but prior to vesting are considered to be a cost of employment and charged directly to the income statement.

Movements of the number of unvested restricted share awards during the period are as follows:

'000	2014	2013
At 1 January	27,810	25,616
Granted	7,273	11,392
Vested	(28)	(688)
Lapsed	–	(1,515)
At 30 June	35,055	34,805

During the period, a total of 7,273,000 (2013: 11,392,000) restricted share awards were granted to certain employees. The market prices of the restricted share awards on the grant date represented the fair values of those shares.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

14 SHARE CAPITAL (continued)

(a) Restricted share awards (continued)

The sources of the shares granted and the related movements between share capital and staff benefit reserve are as follows:

	Six months ended 30 June			
	2014		2013	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**5,153,000**	**3,272**	10,692,000	6,514
Shares transferred from the shares held by trustee	**2,120,000**	**420**	700,000	70
	7,273,000	**3,692**	11,392,000	6,584

The vesting dates and grant dates of the unvested restricted share awards are as follows:

		Vesting date			
Date of grant	**Number of unvested share awards**	**14 July 2014**	**14 July 2015**	**14 July 2016**	**14 July 2017**
20 May 2011	4,446,000	4,446,000	–	–	–
1 June 2012	10,779,000	1,362,000	9,417,000	–	–
22 June 2012	257,000	257,000	–	–	–
28 September 2012	1,617,000	515,000	1,102,000	–	–
15 March 2013	10,683,000	560,000	560,000	9,563,000	–
5 May 2014	7,273,000	169,000	169,000	171,000	6,764,000
Total	35,055,000	7,309,000	11,248,000	9,734,000	6,764,000

(b) Share options

55,500,000 share options under the LTIS were granted to Executive Directors, senior management and certain employees on 14 July 2004 at an exercise price of HK$2.5 per share. They were fully vested on 14 July 2007 and expired on 14 July 2014. At 31 December 2013, all of the 400,000 outstanding share options were exercisable and were exercised during the period. The related weighted average exercise prices of the Company's shares at the time of exercise was HK$4.95 per share.

15 FINANCE INCOME AND FINANCE COSTS

US$'000	Six months ended 30 June 2014	2013
Finance income		
Bank interest income	**(2,337)**	(4,804)
Finance lease interest income	**(367)**	(217)
Other interest income	**(3,377)**	(3,526)
Total finance income	**(6,081)**	(8,547)
Finance costs		
Borrowings wholly repayable within five years		
Interest on bank loans	**2,126**	2,103
Interest on finance leases	**739**	4,662
Interest on convertible bonds	**7,578**	4,910
Borrowings not wholly repayable within five years		
Interest on bank loans	**7,502**	5,159
Interest on convertible bonds	**–**	2,651
Other finance charges *(Note)*	**354**	6,310
Net losses on interest rate swap contracts	**3,496**	1,540
	21,795	27,335
Less: amounts capitalised as PP&E	**(111)**	(2,466)
Total finance costs	**21,684**	24,869
Finance costs, net	**15,603**	16,322

Note: Other finance charges in 2013 included the expenses relating to the repayment of the finance leases liabilities upon the exercise of five purchase options under finance leases amounting to US$6.1 million.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

16 LOSS/PROFIT BEFORE TAXATION

Loss/(profit) before taxation is stated after charging/(crediting) the following:

US$'000	Six months ended 30 June 2014	2013
Bunkers consumed	280,756	243,640
Operating lease expenses		
– vessels	279,424	215,832
– land and buildings	2,324	1,881
Depreciation		
– owned vessels	46,285	29,658
– finance leased vessels	3,315	7,195
– other owned property, plant and equipment	904	847
– investment properties	34	33
Amortisation of land use rights	37	58
Employee benefit expenses including Directors' emoluments	28,205	26,782
Losses on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	1,482	6,744
– forward freight agreements	5,239	320
Gains on derivative instruments do not qualify for hedge accounting		
– bunker swap contracts	(1,997)	(2,225)
– forward freight agreements	(3,212)	(276)
– forward foreign exchange contracts	–	(481)
Lubricating oil consumed	4,001	3,123
Gains on disposal of PP&E	–	688
Provision for/(write-back of) impairment losses		
– Vessels	51,581	–
– Trade receivables	(306)	88
Fair value gains on structured notes	–	(58)

General and administrative expenses

US$'000	Six months ended 30 June 2014	2013
Direct overheads	33,759	28,036
General and administrative expenses	4,927	9,495
Total administrative expenses	38,686	37,531

The saving of US$4.6 million in general and administrative expenses reflected a loss arising from the revaluation of foreign currencies in 2013 that did not recur and the wind-down of certain non-core operations during the period.

Operating lease expenses

Contingent lease payments made amounted to US$70.1 million (2013: US$48.8 million). These related to dry bulk vessels chartered in on an index-linked basis.

Other expenses

Movements in the fair value of and payments for forward freight agreements amounted to US$5.2 million (2013: US$0.3 million). Taking into account the movements in fair value and receipts of US$3.2 million (2013: US$0.2 million) included in other income, the net movement in the fair value and payments for forward freight agreements resulted in an expense of US$2.0 million (2013: US$0.1 million).

Impairment

An impairment of US$51.6 million for the Group's Towage vessels has been provided. Due to the increasingly competitive landscape in the Australasian harbour and offshore towage and infrastructure support markets, it has resulted in a downgraded outlook for the long-term earnings capability of PB Towage necessitating the vessel impairment.

17 TAXATION

Shipping income from dry bulk international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Shipping income from towage and RoRo and non-shipping income is subject to tax at prevailing rates in the countries in which these businesses operate.

The amount of taxation charged/(credited) to the consolidated income statement represents:

US$'000	Six months ended 30 June 2014	2013
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2013:16.5%)	288	310
Overseas tax, provided at the rates of taxation prevailing in the countries	456	422
Adjustments in respect of prior year	(41)	(22)
Tax charges	703	710

18 DIVIDENDS

No interim dividends in respect of the periods ended 30 June 2014 and 2013 were declared. The 2013 final dividend of HK 5 cents or US 0.6 cents per share, totaling US$12,385,000 was paid during the period.

19 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, excluding the shares held by the trustee of the Company's LTIS and SAS and unvested restricted shares (Note 14(a)).

		Six months ended 30 June	
		2014	2013
(Loss)/profit from continuing operations	(US$'000)	**(85,179)**	9,412
Loss from discontinued operations	(US$'000)	**(5,484)**	(9,147)
(Loss)/profit attributable to shareholders	(US$'000)	**(90,663)**	265
Weighted average number of ordinary shares in issue	('000)	**1,903,878**	1,935,722
Basic earnings per share			
– continuing operations	(US cents)	**(4.47)**	0.48
– discontinued operations	(US cents)	**(0.29)**	(0.47)
	(US cents)	**(4.76)**	0.01
Equivalent to			
– continuing operations	(HK cents)	**(34.70)**	3.78
– discontinued operations	(HK cents)	**(2.23)**	(3.67)
	(HK cents)	**(36.93)**	0.11

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding the shares held by the trustee of the Company's LTIS and SAS (Note 14(a)) but after adjusting for the number of potential dilutive ordinary shares from convertible bonds, share options (Note 14(b)) and unvested restricted shares where dilutive.

		Six months ended 30 June	
		2014	2013
(Loss)/profit from continuing operations used to determine diluted earnings per share	(US$'000)	**(85,179)**	9,412
Loss from discontinued operations	(US$'000)	**(5,484)**	(9,147)
(Loss)/profit attributable to shareholders	(US$'000)	**(90,663)**	265
Adjusted weighted average number of ordinary shares for diluted earnings per share	('000)	**1,903,878**	1,935,901
Diluted earnings per share			
– continuing operations	(US cents)	**(4.47)**	0.48
– discontinued operations	(US cents)	**(0.29)**	(0.47)
	(US cents)	**(4.76)**	0.01
Equivalent to			
– continuing operations	(HK cents)	**(34.70)**	3.78
– discontinued operations	(HK cents)	**(2.23)**	(3.67)
	(HK cents)	**(36.93)**	0.11

Diluted earnings per share for the period ended 30 June 2014 is the same as the basic earnings per share since the potential ordinary shares from convertible bonds and unvested restricted shares have antidilutive effect.

Notes to the Unaudited Condensed Consolidated Financial Statements continued

20 COMMITMENTS

(a) Capital commitments

US$'000	30 June 2014	31 December 2013
Contracted but not provided for – vessel acquisitions and shipbuilding contracts	409,828	339,660
Authorised but not contracted for – vessel acquisitions and shipbuilding contracts	–	139,750
	409,828	479,410

Capital commitments for the Group that fall due in one year or less amounted to US$41.7 million (31 December 2013: US$114.6 million).

Page 19-20
Vessel Commitments and Vessel Operating Lease Commitments

(b) Commitments under operating leases

(i) The Group as the lessee – payments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

US$'000	Dry bulk vessels	Tugs	Vessels total	Land and buildings	Total
At 30 June 2014					
Within one year	198,481	835	199,316	4,367	203,683
In the second to fifth year	543,147	–	543,147	8,934	552,081
After the fifth year	199,272	–	199,272	1,533	200,805
	940,900	835	941,735	14,834	956,569
At 31 December 2013					
Within one year	161,211	7,170	168,381	4,467	172,848
In the second to fifth year	474,783	455	475,238	10,516	485,754
After the fifth year	210,459	–	210,459	1,707	212,166
	846,453	7,625	854,078	16,690	870,768

The Group's operating leases for dry bulk vessels have terms ranging from 1 year to 11 years. Certain of the leases have escalation clauses, renewal rights and purchase options.

(b) Commitments under operating leases (continued)

(ii) The Group as the lessor – receipts

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

US$'000	Dry bulk vessels	Tugs	Total
At 30 June 2014			
Within one year	**23,902**	**10,054**	**33,956**
In the second to fifth year	**63,619**	**1,463**	**65,082**
After the fifth year	**63,520**	**–**	**63,520**
	151,041	**11,517**	**162,558**
At 31 December 2013			
Within one year	19,327	7,381	26,708
In the second to fifth year	63,619	2,594	66,213
After the fifth year	71,401	–	71,401
	154,347	9,975	164,322

The Group's minimum operating lease receipts for dry bulk vessels mainly include the commitments from two Post-Panamax vessels of US$143.0 million (31 December 2013: US$150.9 million).

The Group's operating leases have terms ranging from less than 1 year to 16 years.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions carried out in the normal course of the Group's business and on an arm's length basis, were as follows:

(a) Sales of services

US$'000	Six months ended 30 June 2014	2013
Charter-hire income received from OMSA *(Note i)*	**9,906**	13,343
Management service fee received from OMSA *(Note ii)*	**1,773**	3,876

(i) The Group leased out certain vessels to Offshore Marine Services Alliance Pty Ltd ("OMSA"), a joint venture.

(ii) The Group performed technical and other management services to OMSA.

(b) Key management compensation (including senior management's and Directors' emoluments)

US$'000	Six months ended 30 June 2014	2013
Directors' fees	**196**	176
Salaries and bonus	**2,651**	3,263
Retirement benefit costs	**80**	99
Share-based compensation	**947**	944
	3,874	4,482

Notes

Pacific Basin

Pacific Basin Shipping Limited

7/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong

Telephone: +852 2233 7000
Facsimile: +852 2865 2810

www.pacificbasin.com

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